



Meeting the Challenges of This New Era



About Taisho Pharmaceutical Holdings



The Taisho Pharmaceutical Group transitioned to a holding company structure following the incorporation in October 2011 of Taisho Pharmaceutical Holdings Co., Ltd. Furthermore, 2012 marked a major milestone in the Taisho Pharmaceutical Group's history, as Taisho Pharmaceutical Co., Ltd. celebrated its founding centenary in October 2012.

Under the new Group business structure, and looking forward to the next 100 years, the Group is making a concerted effort to contribute to consumers achieving healthier and more fulfilling lives.

Contents

02	The Vision of the Taisho Pharmaceutical Group	18	Corporate Governance/ Corporate Social Responsibility
04	Financial Highlights	22	Financial Section
06	Fellow Stakeholders	51	Major Subsidiaries and Affiliates
08	Sales Composition Fiscal 2012	52	Corporate Data
10	Self-Medication Operation Group	53	Investor Information
14	Prescription Pharmaceutical Operation Group		

<Reference>

The consolidated financial statements for the year ending March 2012 have been prepared by incorporating the consolidated financial statements of Taisho Pharmaceutical Co., Ltd., which became a wholly owned subsidiary of Taisho Pharmaceutical Holdings Co., Ltd. through a sole-share transfer on October 3, 2011. Figures for the fiscal year ended March 2011 and earlier are for Taisho Pharmaceutical Co., Ltd.

Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this annual report with respect to Taisho Pharmaceutical's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of the Taisho Pharmaceutical Group. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore readers should not place undue reliance on them. The Taisho Pharmaceutical Group cautions readers that a number of important factors, including but not limited to changes in general economic conditions, could cause actual results to differ materially from those discussed in the forward-looking statements.

<Note>

Monetary amounts other than those shown on pages 30–49 have been rounded to the nearest million yen.

Philosophy

Mission Statement (Mission)

The Company's mission is to contribute to society by creating and offering superior pharmaceuticals and health-related products as well as healthcare-related information and services in socially responsible ways that enrich people's lives by improving health and beauty.

Management Policies (Vision)

1. Focus on core businesses

- (1) Self-Medication Operation Group, Prescription Pharmaceutical Operation Group
- (2) Businesses based on clear scientific and objective evidence that take full advantage of the Company's strengths

2. Continue to drive sustained growth in business activities while fulfilling the following obligations expected of the Company by stakeholders:

- (1) For consumers, the Company will strive to help realize healthier and more enriched lives based on the theme of health in various fields.
- (2) For business customers and suppliers, the Company will establish and maintain fair and reasonable relationships.
- (3) For employees, the Company will respect the human rights and dignity of each individual and endeavor to secure employment.
- (4) For shareholders and other investors, the Company will disclose proper information in a fair and timely manner.
- (5) For local communities, the Company will remain actively engaged in the community as a corporate citizen while striving to protect the environment and build mutually beneficial relationships.

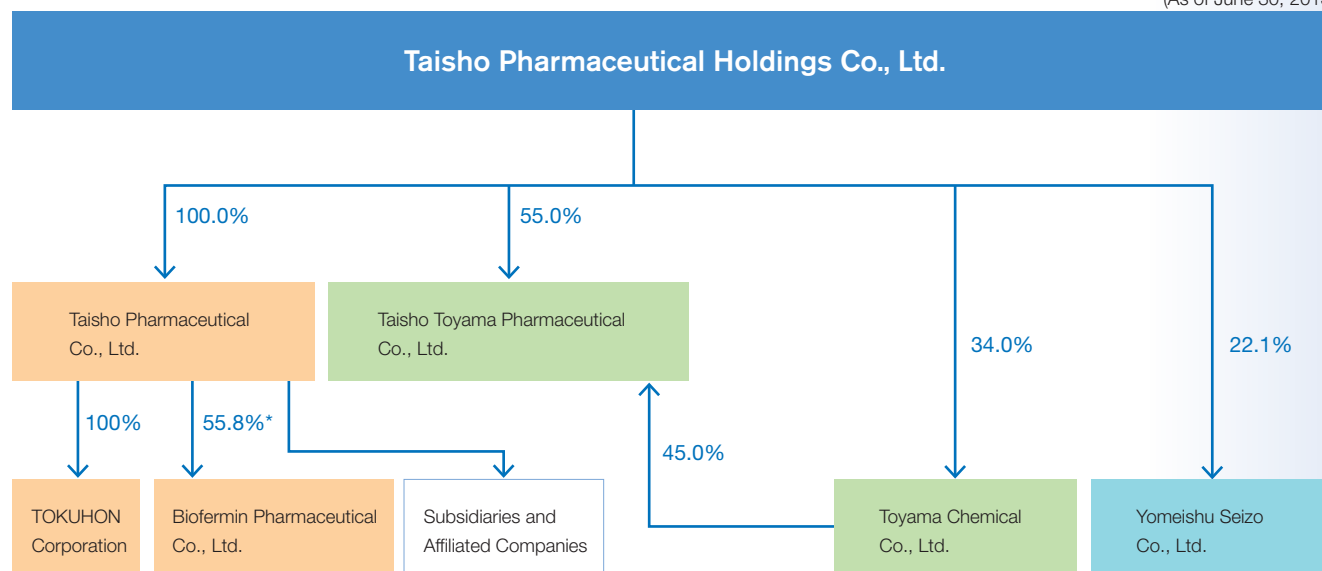
Code of Conduct (Values)

Based on the Company's Founding Spirit, the Company is working to share the following values internally as it conducts business activities:

- Compliance with laws, regulations and other rules
- High ethical standards
- Honesty, diligence, passion
- Competitive viewpoint (Provide higher quality products at lower prices, and even better services)
- Logical thinking
- Value standards from a long-term perspective

Group Business Structure (Figures represent shareholding ratios)

(As of June 30, 2013)



■ Self-Medication Operation
■ Prescription Pharmaceutical Operation
■ Self-Medication and Prescription Pharmaceutical Operation

* Excluding stock taken over in August 2013 (972,320 shares)

The Vision of the Taisho Pharmaceutical Group

We aim to be a pharmaceutical company group that comprehensively covers all fields, ranging from health enhancement to disease prevention and treatment. To this end, we are working to realize balanced growth in both the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group and to generate synergies in these two segments, thereby maximizing the corporate value of the entire Taisho Pharmaceutical Group.

Products Satisfying Diverse Consumer Needs

A Product Lineup of Leading Brands



Lipovitan series

100mL energy drink market share of 55.6%



Pabron series

Cold remedies market share of 28.3%



RiUP series

Hair-care products market share of 53.2%

Self-Medication Operation Group

The Self-Medication Operation Group is working to promote the practice of self-medication through various initiatives centered on OTC drugs, in an effort to satisfy the many and varied health-related needs of consumers.



Health promotion/Disease prevention

* Taisho's estimates based on INTAGE SDI/SRI data

Business Development Focused on Specific Fields

Prescription Pharmaceutical Operation Group

The Prescription Pharmaceutical Operation Group will contribute to society through the continuous discovery of internationally viable new drugs, along with the supply of products and information matched to frontline medical needs.



Treatment

1. Sales and Marketing

Developing the infectious disease field and the inflammatory/immunologic disease field as priority fields. In the infectious disease field, the Company has established its position as a leading company in Japan.



Main products in the infectious disease field

2. Research and Development

In addition to the infectious disease field, conducting research and development in the metabolic and the central nervous system (CNS) fields as priority fields, with an eye to expanding future markets.

Financial Highlights

(Fiscal Years)

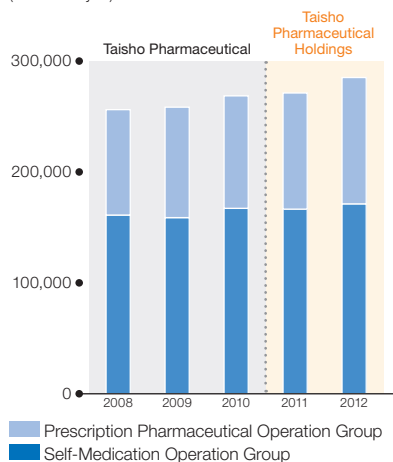
	Taisho Pharmaceutical			Taisho Pharmaceutical Holdings	
	Millions of yen				
	2008	2009	2010	2011	2012
For the year:					
Net sales	¥ 256,213	¥ 258,441	¥ 268,632	¥ 271,230	¥ 285,168
Self-Medication Operation Group	161,141	158,851	167,195	166,467	171,271
Prescription Pharmaceutical Operation Group	95,072	99,590	101,436	104,763	113,896
Cost of sales* ¹	86,751	91,738	96,394	98,983	108,958
Gross profit	169,462	166,703	172,237	172,246	176,210
Selling, general and administrative expenses	131,526	132,017	128,154	133,833	140,873
R&D expenditures	27,523	28,118	23,677	24,231	23,331
R&D expenditures as a percentage of net sales (%)	10.7	10.9	8.8	8.9	8.2
Operating income	37,935	34,686	44,082	38,412	35,337
Self-Medication Operation Group	29,227	30,458	38,385	35,565	33,510
Prescription Pharmaceutical Operation Group	8,707	4,227	5,696	3,557	3,027
Net income	8,815	19,485	34,892	24,357	26,320
Total capital expenditures	5,814	21,132	7,870	12,868	12,287
Net cash provided by operating activities	35,782	39,475	46,493	23,732	41,292
Net cash used in (provided by) investing activities	(12,530)	11,244	(792)	(39,348)	(9,359)
Net cash used in financing activities	(29,429)	(18,837)	(18,377)	(23,073)	(10,064)
Free cash flows	23,252	50,719	45,701	(15,616)	31,933
At year-end:					
Total assets	¥ 591,568	¥ 606,443	¥ 618,434	¥ 629,506	¥ 676,388
Current assets	215,872	215,686	233,170	234,782	254,326
Current liabilities	54,130	55,680	59,859	63,306	62,834
Working capital	161,742	160,006	173,311	171,476	191,492
Net assets* ²	514,511	527,761	535,231	538,667	578,159
Per share data:					
Net assets (yen)	¥1,745.96	¥1,816.68	¥1,902.74	¥6,560.67	¥6,975.94
Net income (yen)	30.01	67.98	124.90	296.20	325.26
Ratio data:					
Asset turnover (times)	0.4	0.4	0.4	0.4	0.4
Tangible fixed assets turnover (times)	2.8	2.8	3.0	3.0	2.9
Operating income margin (%)	14.8	13.4	16.4	14.2	12.4
Equity ratio (%)	85.4	85.3	84.8	83.8	83.6
Return on equity—ROE (%)	1.7	3.8	6.7	4.6	4.7
Return on assets—ROA (%)	1.4	3.3	5.7	3.9	4.0

*¹ Includes provision/reversal of reserve for returned unsold goods.

*² The data previously presented as "Shareholders' equity" are shown as "Net assets" based on the new accounting standard for presentation of net assets applied from the fiscal year ended March 31, 2007.

Net Sales

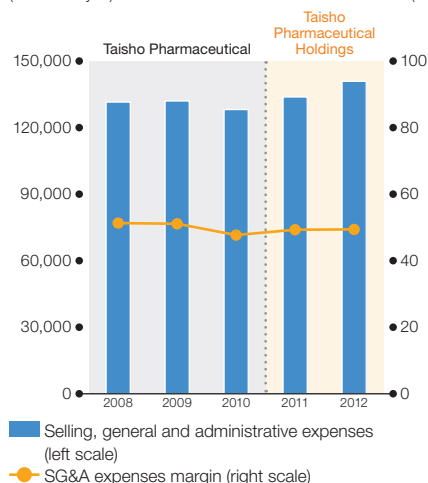
(Millions of yen)



Selling, General and Administrative Expenses / SG&A Expenses Margin

(Millions of yen)

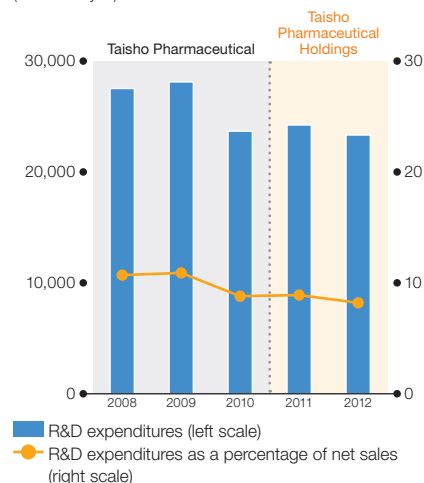
(%)



R&D Expenditures / R&D Expenditures as a Percentage of Net Sales

(Millions of yen)

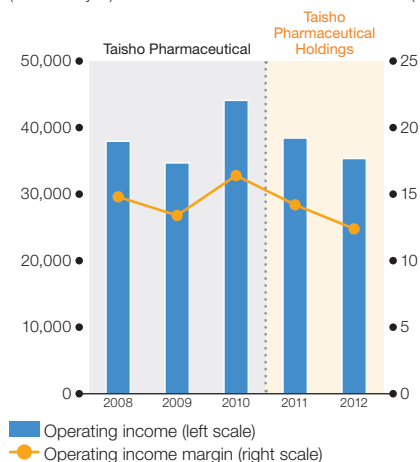
(%)



Operating Income / Operating Income Margin

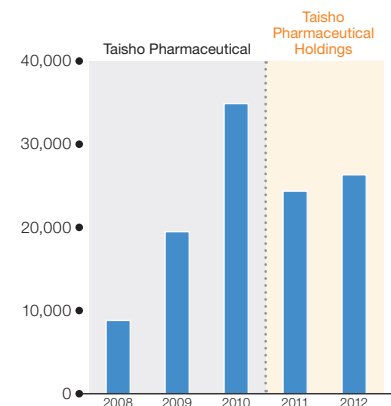
(Millions of yen)

(%)



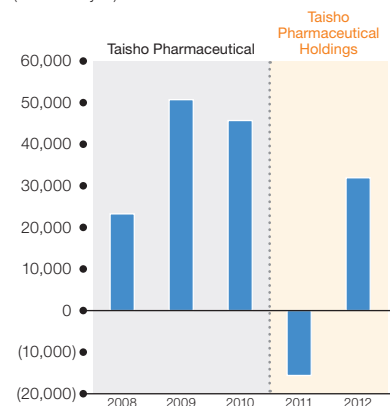
Net Income

(Millions of yen)



Free Cash Flows

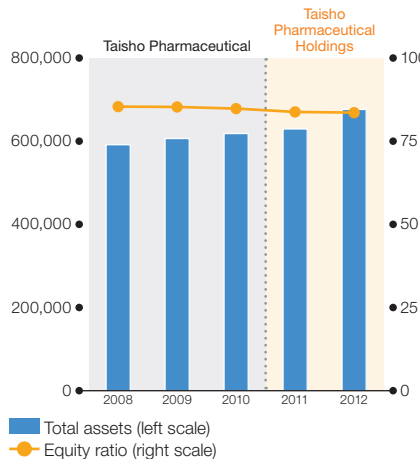
(Millions of yen)



Total Assets / Equity Ratio

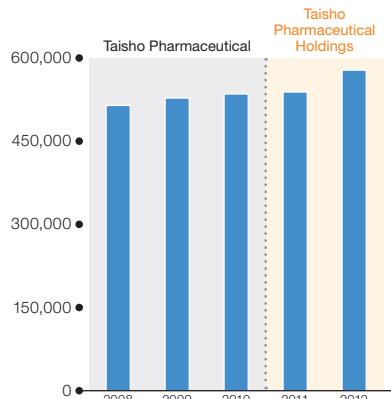
(Millions of yen)

(%)



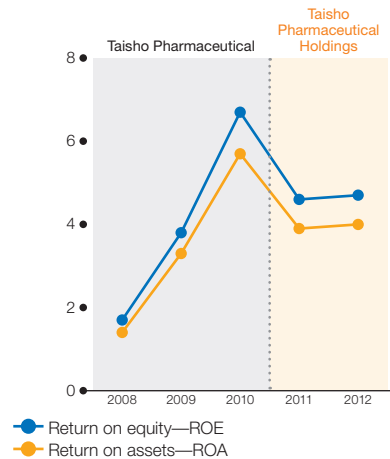
Net Assets

(Millions of yen)



ROE / ROA

(%)



Fellow Stakeholders



For the next 100 years also, the Taisho Pharmaceutical Group will contribute to all its customers achieving healthier and more prosperous lives.

Taisho Pharmaceutical Co., Ltd. (hereinafter, “Taisho Pharmaceutical”) celebrated its centenary in October 2012. I would like to thank all of our stakeholders for their guidance and support in achieving this major milestone.

The Taisho Pharmaceutical Group is engaged in business with the mission of contributing to society by creating and offering superior pharmaceuticals and health-related products as well as healthcare-related information and services in socially responsible ways that enrich people’s lives by improving health and beauty.

In recent years, the growth in social security and healthcare costs due to Japan’s low birth rate and rapidly aging society has become a major issue demanding urgent action. Business conditions for the Group continue to evolve at a rapid rate amid diversification of consumer needs and sales channels. Having achieved this centenary milestone as an entity combining the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group, we are committed to providing products and services of value to consumers that promote better health from prevention to treatment. As we look forward to the next 100 years, we will continue to cherish our founding philosophy as we address the challenges of this new era and seek to move to a higher level.

Fiscal 2012 Business Overview

In the Self-Medication Operation Group, sales of our mainstay *Lipovitan* series of energy drinks decreased, but sales of the *RiUP* series of hair regrowth treatments and of the *Pabron* series of cold remedies were both on a par with the prior year. We continued to achieve solid growth in sales of Foods for Specified Health Use (FOSHU) through the *Livita* series as a result of contributions from new line extensions. We generated steady growth overseas, notably in Southeast Asian markets, with sales rising significantly in the OTC business following the acquisitions of Malaysian firm Hoepharm Holdings Sdn. Bhd. (hereinafter, “Hoepharm”) in August 2011 and four Mexican companies including Compañía Internacional de Comercio, S.A.P.I. de C.V. (hereinafter, “CICSA”) in July 2012. Overall, this business segment posted a 2.9% year-on-year increase in sales.

In the Prescription Pharmaceutical Operation Group, our consolidated subsidiary Taisho Toyama Pharmaceutical Co., Ltd. (hereinafter, “Taisho Toyama Pharmaceutical”) is focusing on two main fields. In the field of infectious diseases with antibiotics including *ZOSYN* and *OZEX*, and in the field of inflammatory/immunologic diseases with *Edirol*, an agent for treating osteoporosis that we launched in April 2011, we generated substantial growth in sales. Overall,

this business segment saw sales increase 8.7% year on year. Total research and development (R&D) activities also grew in line with budget.

As a result of the foregoing, consolidated net sales rose 5.1% from fiscal 2011 to ¥285.2 billion.

On the earnings front, selling, general and administrative expenses increased year on year, reflecting higher sales promotion, advertising, R&D and other expenses. Consequently, operating income decreased 8.0% to ¥35.3 billion. However, the Company booked a smaller year-on-year devaluation loss on investment securities and the national corporate tax rate was lowered. As a result, net income increased 8.1% year on year to ¥26.3 billion.

Returns to Shareholders

Taisho Pharmaceutical Holdings Co., Ltd.'s (hereinafter, "the Company") basic policy on shareholder returns is to maintain a stable dividend, while ensuring sufficient internal reserves to build a stronger enterprise. We re-invest retained earnings with the aim of reinforcing our competitiveness while expanding and developing the business. We have a flexible stance on share buybacks with the aim of improving capital efficiency and maintaining a dynamic financial policy.

The Company's dividend policy is to pay dividends largely in line with its consolidated business performance each fiscal year, while targeting a dividend payout ratio of 30% of consolidated net income excluding extraordinary income and loss. The Company plans to maintain an annual dividend of at least ¥100 per share, barring special circumstances, even when the dividend payout ratio exceeds 30%.

For fiscal 2012, the Company issued an annual dividend of ¥120 per share, consisting of an interim dividend of ¥60 and a year-end dividend of ¥60, to commemorate Taisho Pharmaceutical's founding centenary. In fiscal 2013, based on its dividend policy, the Company plans to issue an annual dividend of ¥110 per share, consisting of an interim dividend of ¥50 and a year-end dividend of ¥60.

Current Initiatives and the Future Direction of the Taisho Pharmaceutical Group

Going forward, while targeting further growth, the Group will seek to contribute to helping people live longer and healthier lives amid the demographic shifts towards aging and greater life expectancy.

In the domestic self-medication business, the Group is developing a variety of OTC drugs and other products to address the desire of consumers to grow old while retaining health and beauty. We will continue to promote the self-medication ethos of looking after one's health by developing products to help consumers prevent the onset of lifestyle diseases. We aim to offer people new options for taking good care of their health, while seeking to upgrade our provision of related information.

In the prescription pharmaceutical business, the Group's sales and marketing activities are focusing on the fields of infectious diseases and of inflammatory/immunologic diseases, notably orthopedic surgery. As a Group that includes the leading company in Japan in the infectious disease field, we will aim to fulfill our responsibility by constantly upgrading detailing activities while expanding our product lineup. In inflammatory/immunologic diseases, we aim to establish this area as a second pillar after the infectious disease field by launching new products and then working to build market penetration. In R&D, we aim to discover original drugs, focusing on disease areas with strong projected market growth.

Outside Japan, we have been actively growing our OTC drugs franchise since 2009. We will reinforce and expand the business platform of several acquisitions we made so far, notably in Southeast Asia, so that this business will become a third pillar of growth for the Group.

TOKUHON Corporation (hereinafter, "TOKUHON") became a wholly owned subsidiary of Taisho Pharmaceutical in July 2012, in the process joining the Group. Going forward, we plan to focus on increasing corporate value at the consolidated level by promoting synergy-generating cooperation between TOKUHON and other Group firms.

I would like to express our sincere thanks to you, our fellow stakeholders, in hope of your continued understanding and support.



Akira Uehara
President and CEO

Sales Composition Fiscal 2012

We will harness our unique attributes and strengths in the two businesses of the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group, in order to continue meeting the challenges of a new era.

Self-Medication Operation Group

The Self-Medication Operation Group has many leading brands, such as the *Lipovitan* series of energy drinks, the *Pabron* series of cold remedies, and the *RiUP* series of hair regrowth treatments. In these fields, the Self-Medication Operation Group is a leader in the Japanese market.

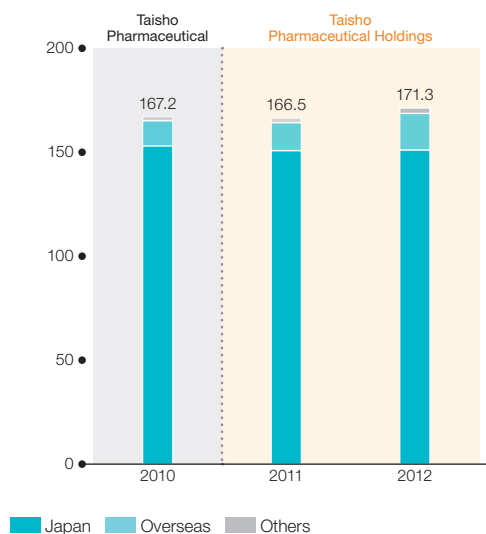
60.1%



Main products of the Self-Medication Operation Group

Net Sales (Fiscal years)

(Billions of yen)



Net Sales of Main Products, Others (Fiscal year)

(Billions of yen)

	2012
Japan	151.1
<i>Lipovitan</i> series	66.8
<i>Pabron</i> series	26.1
<i>RiUP</i> series	13.9
Overseas	17.6
OTC drugs	9.6
Energy drinks	7.1
Others	2.6

Consolidated Net Sales

¥285.2 billion

Prescription Pharmaceutical Operation Group

39.9%

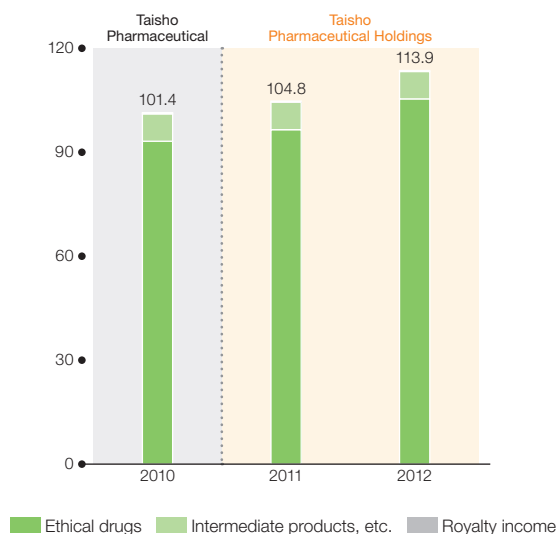


Main products of the Prescription Pharmaceutical Operation Group

The Prescription Pharmaceutical Operation Group is pressing ahead with R&D activities focused on priority fields. At the same time, Taisho Toyama Pharmaceutical, a joint venture with Toyama Chemical Co., Ltd., is conducting sales and marketing activities centered on the fields of infectious diseases and inflammatory/immunologic diseases.

Net Sales (Fiscal years)

(Billions of yen)



Net Sales of Main Products, Others (Fiscal year)

(Billions of yen)

	2012
Ethical drugs	105.4
<i>Clarith</i>	19.0
<i>ZOSYN</i>	21.5
<i>Edirol</i>	8.8
<i>Palux</i>	8.5
<i>OZEX</i>	8.2
Intermediate products, etc.	8.1
Royalty income	0.4

Self-Medication Operation Group

Market Trend and Company Policy

The Japanese market for OTC drugs fell 2% in fiscal 2012 to ¥1,105.4 billion. The market has been contracting since peaking in 2001. However, promotion of self-medication is increasing in importance as the demographic shifts create a major issue in terms of growing social insurance costs, which must be addressed swiftly. Other factors creating rapid change in the operating environment for the Group include the ongoing diversification of consumer needs and sales channels.

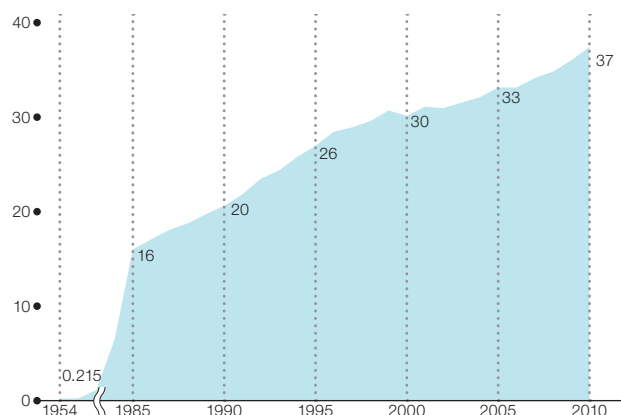
While healthcare costs in Japan continue to rise year after year, lifestyle diseases account for about 30% of this expenditure. The causes of these diseases exist within various aspects of daily life. The prevention of such diseases by maintaining an interest in one's health and trying

to live a healthy life is vital. Based on the self-medication ethos of looking after one's health, Taisho Pharmaceutical believes that the use of Foods for Specified Health Use (FOSHU) and OTC drugs in performing self-health checks, preventing disease and treating minor illnesses can help to lower total healthcare costs, while also helping people live longer, healthier lives.

Taisho Pharmaceutical strives to continually upgrade its lineup of products for addressing lifestyle diseases as well as the provision of related information. We continue to develop our business with the goal of helping people to grow old with health and beauty.

Annual Changes in National Healthcare Expenditures

(Trillions of yen)

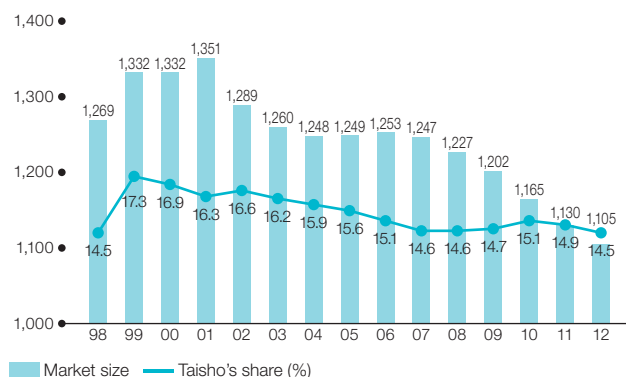


Source: Ministry of Health, Labour and Welfare

Domestic OTC Drugs Market* (Fiscal years)

(Taisho's estimates based on INTAGE SDI/SRI data)

(Billions of yen)



Source: INTAGE Inc.

* Including quasi-drug energy drinks and mini-drinks sold through drug-oriented channels.

Fiscal 2012 Business Performance

With regard to the *Lipovitan* series of energy drinks, although low-calorie *Lipovitan Fine*, which targets women, and other *Lipovitan* series energy drinks experienced growth, sales of mainstay *Lipovitan D* dropped from the previous fiscal year. In the *Pabron* series of cold remedies, mainstay general cold remedies performed steadily and sales of nasal inflammation related products increased from the previous year, owing to large volumes of airborne pollen. Turning to the *RiUP* series of hair regrowth treatments, although sales were assisted by *RiUP JET*, which



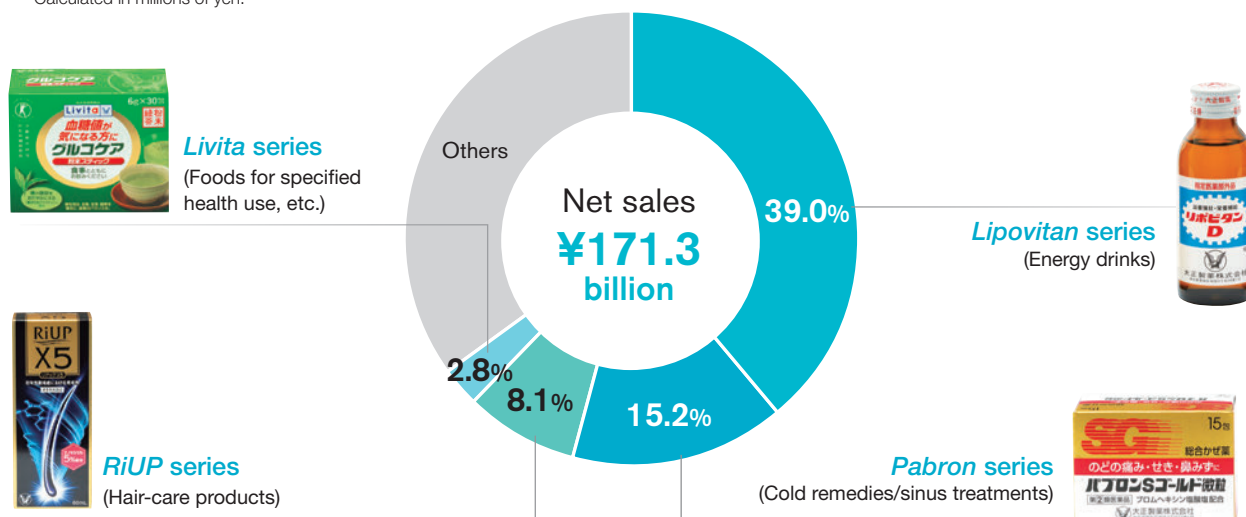
Livita series

was launched in December 2012, overall sales of the *RiUP* series decreased compared to the previous fiscal year, due to weak sales of existing 1% minoxidil (active ingredient) products. On the other hand, sales of the *Livita* series, which is centered on FOSHU products, achieved double-digit growth, partly thanks to the contribution from new products *Fatcare Stick Café* and *Middlecare Granules*.

Meanwhile, in the overseas OTC drug business, sales increased by 31.3% to ¥17.6 billion thanks to the full-year contribution of sales of Hoepharma of Malaysia from fiscal 2012, along with sales contributions from four Mexican companies including CICSA, which were acquired in July 2012. Another contributing factor was sales growth driven by proactive sales promotion activities.

Sales of Main Products Composition (Fiscal year 2012)

* Calculated in millions of yen.



Activities by the Self-Medication Operation Group

Rising social insurance costs are a major issue in Japan amid low birth rates and the aging of society. Therefore, contributing to the curbing of increasing healthcare costs has become an issue at Taisho Pharmaceutical, and so we believe it is important to promote self-medication and to develop new product areas to help revive the market for OTC drugs. We are focusing our product development efforts on new products that can improve metabolic syndrome and other lifestyle diseases or help prevent the onset of such conditions. In April 2013, we launched *Epadel T*, Japan's first switch-OTC drug in the lifestyle-related diseases field as a treatment for improving abnormal triglyceride levels. We expect this product to help us create a new segment of the OTC drugs market. In addition, we aim to develop new switch-OTC products as well as health foods and supplements to meet the diverse needs of consumers in this area.

We are also continuing to build the value of our existing OTC brands. We are developing the *Lipovitan* series of energy drinks while marketing smaller pack sizes of one or three bottles to encourage sampling by new users by adapting to changing needs. We are also trying to stimulate fresh demand for the *Pabron* and *RiUP* series. With the *Livita* series, we expanded our lineup of FOSHU in fiscal 2012 with the introduction of *Fatcare* for fighting body fat and *Middlecare* for countering triglycerides.

In addition, Taisho Pharmaceutical plans to begin selling TOKUHON products from October 2013. Going forward, we will continue to supply products that can contribute to richer and healthier lifestyles, along with related information, as we seek to contribute to the promotion of self-medication in daily life.

Launch of *Epadel T* in April 2013

In April 2013, we launched *Epadel T* in Japan as a Category 1 medicine for improving abnormal triglyceride levels. *Epadel T* is a switch-OTC formulation of *Epadel* (generic name: ethyl icosapentate), a prescription drug manufactured and marketed by Mochida Pharmaceutical Co., Ltd. for treating hyperlipidemia and improving ulcers, pain and cold sensations caused by arteriosclerosis obliterans. *Epadel T* is the first switch-OTC drug in Japan for the treatment of lifestyle-related diseases.

Taisho Pharmaceutical is conducting a survey on proper use based on instructions from the Ministry of Health, Labour and Welfare prior to the nationwide launch of *Epadel T*. This survey aims to confirm whether pharmacists can properly identify those suitable for taking the drug, provide proper guidance on drug administration, or else recommend seeing a doctor. During the survey period, *Epadel T* is only being sold through drugstores involved in the survey.



Epadel T

Each packet contains 600mg of ethyl icosapentate

Indication: Treatment of triglyceride levels identified through health checks or other means as "borderline" (see Note below).

Note: "Borderline" refers to triglyceride levels that are elevated slightly above normal range (from 150mg/dL to under 300mg/dL).

Lipovitan Series: April 2013 Introduction of *Lipovitan Feel*

Containing six active ingredients including taurine, vitamin B₂ and nicotinamide, this extension of the *Lipovitan* series is an energy drink that gives energy to the body when tired, thereby providing the excellent benefit of supplementary nutrition when fatigued. With only 18kcal per bottle and no caffeine to hinder sleep, *Lipovitan Feel* is perfect for drinking at night before going to bed to help counter fatigue. The purple and orange packaging and the fresh, fruity "cassis grape-fruit" flavor are designed to appeal to female consumers in particular.



Lipovitan Feel

Designated quasi-drug product

Energy drink to supply nutrition when fatigued.



The "Sending Thanks to Myself Last Night" version of a *Lipovitan Feel* commercial

Activities Overseas

Since acquiring the Asian OTC drug business of U.S.-based Bristol-Myers Squibb Company in 2009, we have continued to expand our overseas OTC drug business platform with acquisitions in Malaysia (Hoepharm) and Mexico (four companies including CICSA) and the restructuring of the existing joint venture in Thailand with Osotspa Co., Ltd. Total sales from the overseas OTC business (OTC drugs and energy drinks) in fiscal 2012 increased 31.3% in year-on-year terms to ¥17.6 billion, reflecting market growth and aggressive promotional activities.

In the next stage of business development, we plan to increase sales of acquired brands and develop systems to leverage the business platform created. In April 2013, the business division responsible for overseas operations was transferred from Taisho Pharmaceutical to the Company to speed up handling of regulatory matters in each country while strengthening product development and the oversight of human resources management in each country.



Main products of Osotspa Taisho



Main products of CICSA



Main products of Hoepharm



The products acquired from Bristol-Myers Squibb Company

Prescription Pharmaceutical Operation Group

Market Trend and Company Policy

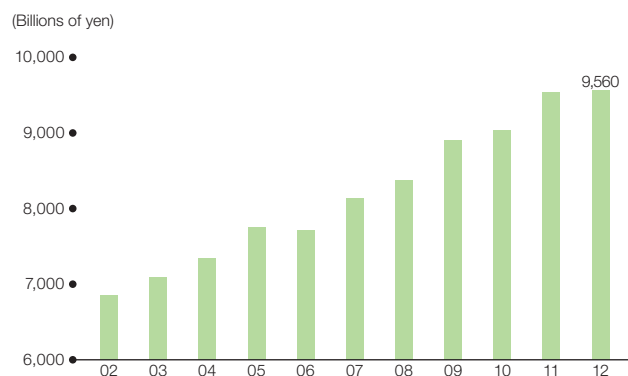
Growing healthcare costs are a major issue in Japan due to low birth rates and rapid aging of society. The government has adopted a range of measures to contain these costs. In April 2012, Japan's National Health Insurance (NHI) drug prices were revised and additional incentives to promote generic usage were instituted, including a new reimbursement fee for generic prescriptions. Overall conditions remained challenging for the industry amid increasingly strict regulatory approval processes and continued difficulties in discovering new drugs worldwide.

In sales and marketing, our consolidated subsidiary Taisho Toyama Pharmaceutical focuses on the therapeutic areas of infectious diseases and inflammatory/immunologic

diseases centered on orthopedics. As the leading company in Japan in the infectious disease field with the top share of the domestic market for antibacterial agents, the Company aims to fulfill its responsibility by constantly upgrading detailing activities for its broad product lineup. In the inflammatory/immunologic disease field, the Company launched *Edirol* for the treatment of osteoporosis in April 2011. Promotional activities aim to establish this area as a second pillar of sales behind the field of infectious diseases.

In research and development, to support future growth, Taisho Pharmaceutical is selectively focusing on areas where markets are expected to expand in the future. The aim is to discover original drugs with global sales potential.

Domestic Prescription Pharmaceuticals Market*



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Source: Analysis based on JPM, reprinted with permission.

* On an NHI price basis

Size of the domestic antibacterial agent (J01 antibacterial agent) market* and Taisho Toyama Pharmaceutical's share



Market size (left scale) Taisho Toyama Pharmaceutical's share (right scale)

Copyright 2013 IMS Japan K.K.

Source: Analysis based on JPM, reprinted with permission.

* Systemic antibacterial agent (J01) market by sales company

Fiscal 2012 Business Performance

Taisho Toyama Pharmaceutical, which sells prescription drugs in Japan, recorded net sales of ¥100.2 billion (up 7.6% year on year) in fiscal 2012. Sales exceeded ¥100 billion for the first time in the tenth year following the establishment of the joint venture.

In the core therapeutic field of infectious diseases, strong sales of ZOSYN, a combination antibiotic of

penicillin with a β -lactamase inhibitor, and new quinolone antibacterial OZEX more than offset a fall in sales of the macrolide antibiotic *Clarith* mainly due to the impact of the NHI price revision. Taisho Toyama Pharmaceutical increased its share of the Japanese market for antibacterial agents to more than 20%. In the field of inflammatory/immunologic diseases, although sales of the peripheral

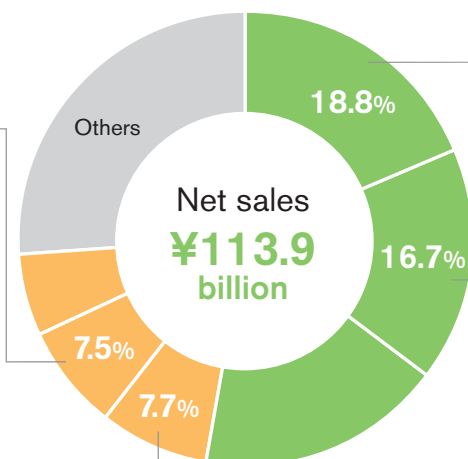
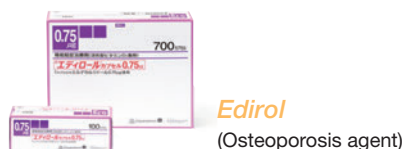
vasodilator *Palux* declined mainly due to the impact of the NHI price revision, sales of osteoporosis treatment *Edirol*

rose substantially after the dosage prescription period restrictions on this drug were lifted in April 2012.

Sales of Main Products Composition (Fiscal Year 2012)

* Calculated in millions of yen.

Inflammatory/immunologic disease field



Infectious disease field

ZOSYN
(Antibacterial products for injections)



Clarith
(Antibacterial products for oral use)



Activities by the Prescription Pharmaceutical Operation Group

In the priority field of infectious diseases, our key strength is a broad range of prescription drugs that includes the macrolide antibiotic *Clarith* and *ZOSYN*, a combination antibiotic of a penicillin derivative with a β -lactamase inhibitor. Drawing on this strength we will continue to provide information to medical professionals, and to lead the Japanese market in antibiotics.

In our second priority field of inflammatory/immunologic diseases, we are focused on growing sales of osteoporosis treatment *Edirol* following the lifting of dosage restrictions on prescriptions for this product in April 2012. In August 2013, we launched the new osteoporosis agent *Bonviva* that possesses a different mechanism of action from *Edirol*, thereby extending our product lineup for treating osteoporosis. In addition, we launched the anti-rheumatic agent *KOLBET*, which is supplied by Toyama Chemical Co., Ltd. (hereinafter, "Toyama Chemical"), in September 2012. In April 2013, Taisho Toyama Pharmaceutical also commenced sales of TOKUHON products. We are continuing to build up our lineup of products for the inflammatory/immunologic

disease field to make this area into a significant second pillar of the business behind infectious diseases. By addressing medical needs at hospitals and clinics through these products, we hope to improve the quality of life for patients while helping people to live longer and healthier lives within the context Japan's aging society.



Osteoporosis agent *Bonviva* IV Injection

Filing for Manufacturing and Marketing Approval of SGLT2 Inhibitor Luseogliflozin Hydrate (TS-071) in Japan

In April 2013, we filed for manufacturing and marketing approval of the SGLT2 inhibitor luseogliflozin hydrate (development code: TS-071) with the Ministry of Health, Labour and Welfare in Japan for the indication of Type 2 diabetes. TS-071 was created by Taisho Pharmaceutical.

Luseogliflozin hydrate is a drug with a new mechanism of action that selectively inhibits sodium-glucose cotransporter 2 (SGLT2). It lowers blood glucose levels by inhibiting the re-absorption of glucose in the kidneys, thereby increasing urinary excretion of glucose. With a different mechanism of action to traditional oral hypoglycemic agents, luseogliflozin hydrate has the potential to treat

Type 2 diabetes in combination with a broad range of other medications.

The number of people suspected to have diabetes in Japan is estimated to be around 9 million. We expect luseogliflozin hydrate to become a novel treatment for diabetes that improves postprandial and fasting blood glucose levels, in addition to having a low risk of inducing hypoglycemia, which is a concern with diabetes treatments, as well as a weight-reduction effect. Through the marketing of luseogliflozin hydrate, we hope to provide a new option for treating diabetes in many more patients.

Taisho Toyama Pharmaceutical Commences Sales of TOKUHON Products

Taisho Toyama Pharmaceutical began marketing the TOKUHON-manufactured prescription anti-inflammatory analgesic patch formulations *YAKUBAN*, *STAYBAN* and *FULRUBAN* in April 2013. These products are medicated with flurbiprofen as the active ingredient and come in a range of tape plasters and cold and hot patches that meet the needs of patients with various conditions.

TOKUHON became a member of the Taisho Pharmaceutical Group in fiscal 2012. TOKUHON has established a long track record in the market for topical anti-inflammatory analgesic patches. The addition of TOKUHON products helps to reinforce the product lineup of Taisho Toyama Pharmaceutical within the field of inflammatory/immunologic diseases. We aim to achieve greater market penetration for

these three products with a view to the future marketing of TT-063 (development code), a topical analgesic and anti-inflammatory agent that is being jointly developed by Taisho Pharmaceutical with TOKUHON.



Main products in the inflammatory/immunologic disease field



FULRUBAN Pap

YAKUBAN Tape

STAYBAN Pap

Status of Research and Development

The Group's prescription drug R&D activities are focused on Taisho Toyama Pharmaceutical's priority fields of infectious diseases, and also the two areas of CNS and metabolic diseases that are expanding markets which offer opportunities for the Group's future growth. The R&D activities aim to discover new drugs with global sales potential.

After more than 20 years on the market, the macrolide antibiotic *Clarith* that was first developed by Taisho Pharmaceutical is still yielding new insights. In February 2013, we gained approval from the authorities for *Clarith* tablets 200 as a treatment for gastritis due to *Helicobacter pylori* infection in combination with a proton pump inhibitor and amoxicillin hydrate.

Amid fierce global competition, we are progressing with in-house development of the SGLT2 inhibitor TS-071 originally discovered by Taisho Pharmaceutical. We filed an application for manufacturing and marketing approval in Japan in April 2013 for the indication of Type 2 diabetes.

In June 2013, we gained approval from the authorities and commenced manufacturing and marketing in Japan for the indication of osteoporosis for ibandronate sodium hydrate (brand name: *Bonviva* IV Injection), which we developed jointly in Japan with Chugai Pharmaceutical Co., Ltd. as a bisphosphonate antiresorptive agent. Administered once a month, *Bonviva* IV Injection is a new osteoporosis treatment that has demonstrated non-inferiority to existing bisphosphonates in terms of the increase in bone density and incidence of fractures. Separately, an oral ibandronate formulation is also in development in Japan, and Phase 3 clinical trials for monthly administration began in Japan in October 2012.

Our development program is also making progress in the field of CNS. TS-091 (development code) has begun Phase 1 studies in Japan for sleep disorders, and TS-111 (development code) is also in Phase 1 studies overseas as a potential treatment for depression.

New Drug Pipeline (Taisho Pharmaceutical Co., Ltd.)

(As of July 31, 2013)

Name	Formulation	Planned Application	Development Phase	Development	Originator
TS-071	Oral	Type 2 diabetes	Filed for application	In-house	Taisho
CT-064	Oral	Osteoporosis	Phase 3	Co-development with Chugai Pharmaceutical	Roche
TT-063	Topical	Osteoarthritis, scapulohumeral periarthritis myalgia and other conditions	Phase 3	Co-development with TOKUHON	TOKUHON
NT-702	Oral	Asthma	Phase 2	Co-development with Nissan Chemical	Nissan Chemical
		Intermittent claudication caused by ASO*	Phase 2		
<i>Palux</i>	Injection	Intermittent claudication caused by SCS**	Phase 2	In-house	Taisho/Mitsubishi Tanabe Pharma

Name	Target Diseases	Development Phase	In-house/Licensed-in	In Japan/Overseas
TS-091	Sleep disorder	Phase 1	In-house	In Japan
TS-071	Type 2 diabetes	Phase 1	In-house	Overseas
TS-111	Depression	Phase 1	In-house	Overseas

* ASO: Arteriosclerosis obliterans

** SCS: Spinal canal stenosis

Corporate Governance/Corporate Social Responsibility

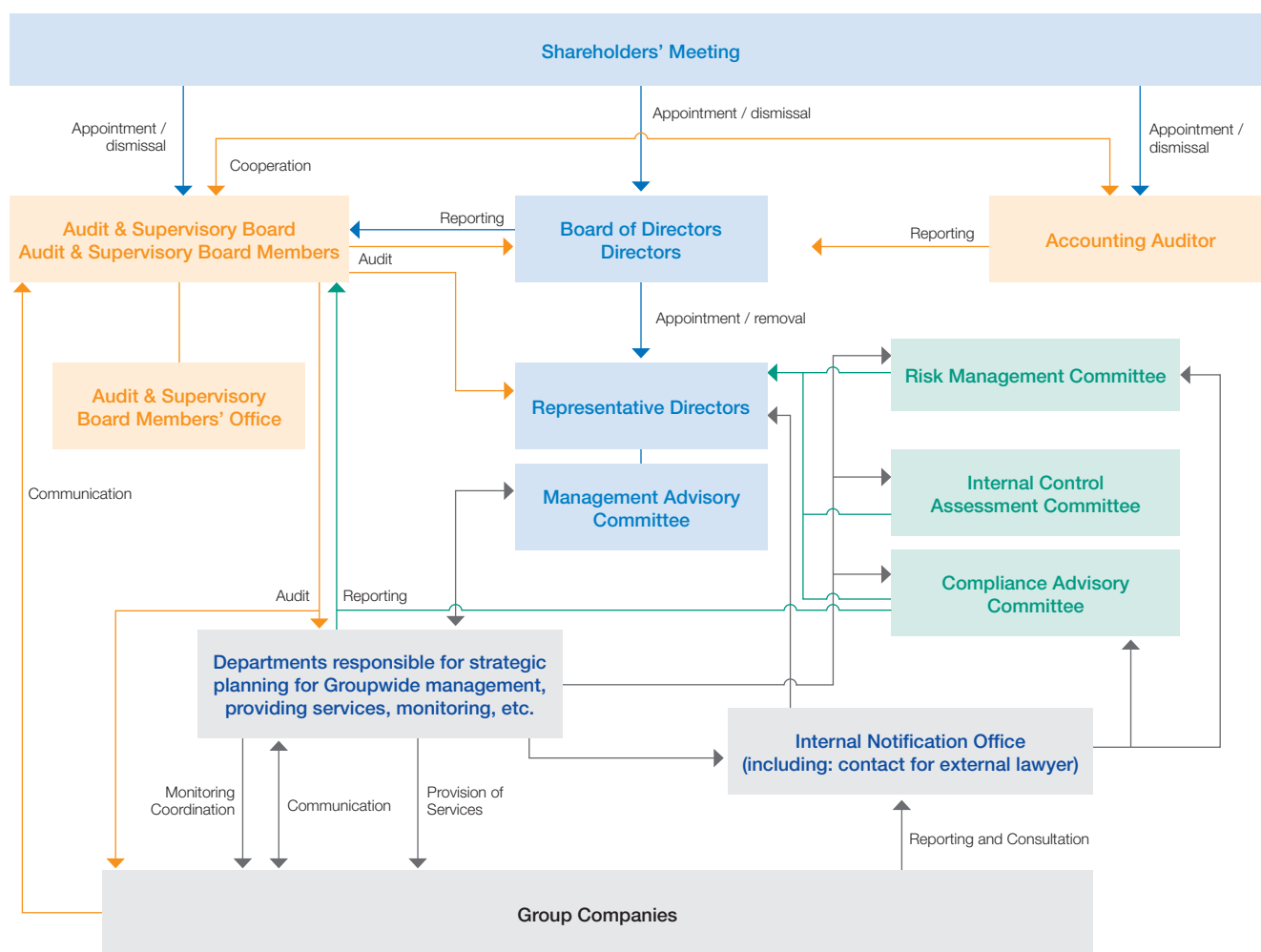
Corporate Governance

1. Basic Approach

To fulfill its corporate mission, the Taisho Pharmaceutical Group aims to establish even stronger management foundations in line with its management policies to ensure that it continues to achieve steady growth and development amid global competition.

To this end, the Company has positioned the enhancement of corporate governance as a crucial management priority. Accordingly, the Company has established an appropriate Groupwide business management framework for properly monitoring and supervising the status of business and operational execution at the Company and Group companies. Specifically, the Company's basic approach to corporate governance is

Corporate Governance Structure



to establish a corporate governance structure and properly operating this structure, with the aim of achieving the Group's overall business objectives and fulfilling its social responsibilities. The basic principle behind these efforts is for the Company's Board of Directors, and Audit & Supervisory Board members and the Audit & Supervisory Board to work in close collaboration, while properly managing the entire Group by exchanging information with the business management bodies of the Company and Group companies.

2. Corporate Governance Structure

Board of Directors, Audit & Supervisory Board Members and Audit & Supervisory Board

The Company has adopted a corporate governance structure with a Board of Directors, as well as Audit & Supervisory Board members, and the Audit & Supervisory Board. As of June 27, 2013, the Company has nine directors, one of whom is an external appointee, and four Audit & Supervisory Board members, two of whom are external appointees.

The Board of Directors holds meetings regularly and as necessary, at which the directors make decisions on important matters related to the Company's business execution and Groupwide management and monitor operations undertaken based on their decisions. Also, the Management Advisory Committee, whose members

include the Company's representative directors, serves as an advisory body to the Board of Directors, meets on an as-required basis and deliberates important matters, including matters put forward to the Board of Directors. As a result, the Committee further facilitates effective and efficient management decision making.

The Audit & Supervisory Board meets, in principle, at least four times a year, at which meetings its members and accounting auditors present reports on the status of their audits. These Audit & Supervisory Board members conduct audits encompassing the performance of all aspects of directors' duties, in line with audit policies and plans formulated in accordance with standards for audits which have been established by Audit & Supervisory Board members.

Meanwhile, the Company has set up various committees to address a variety of across-the-board business management issues faced by the Company and Group companies. These committees include the Risk Management Committee, the Compliance Advisory Committee and the Internal Control Assessment Committee. The Company implements Groupwide monitoring of various issues in each field, and has a reporting system in place to ensure that appropriate information is communicated to business managers at the Company and various Group companies.

Compensation of Directors and Audit & Supervisory Board Members

As regards the compensation of directors and Audit & Supervisory Board members, the compensation of directors is decided by the Board of Directors, and the compensation of Audit & Supervisory Board members is decided by discussion with the Audit & Supervisory Board members, within the range of the total amount of monetary compensation decided in advance by a resolution at the Ordinary General Meeting of Shareholders.

The Company has also decided, based on a resolution at the Ordinary General Meeting of Shareholders held on June 28, 2012, to introduce stock options (stock acquisition rights) for a stock-linked compensation plan, in lieu of retirement bonuses, for the Company's directors (excluding outside directors). This was done to provide the directors with further incentive and motivation to contribute to the improvement of business results and corporate value over the medium and long terms.

(Millions of yen)

Directors and members category	Total amount of compensation	Total amount by type of compensation		Number of directors/members eligible
		Basic compensation	Stock options	
Directors (excluding outside directors)	¥263	¥229	¥34	¥9
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	25	25	—	2
Outside Board members	36	36	—	4

Internal Control

Development of Internal Control System

The Company approved the Fundamental Internal Control Policies at a Board of Directors' meeting held on October 3, 2011, the incorporation date of the Company.

The Company has developed various in-house systems and regulations that provide the basis for internal control. It is working to promote Groupwide understanding and adherence to these systems and regulations, in order to ensure proper implementation. Also, the Company has established a structure to monitor whether business operations are conducted appropriately and efficiently based on laws and ordinances, and various in-house systems and regulations. This structure is underpinned by the Audit Division, the Compliance Management Section, the Legal Division, the Financial Division, and the Overseas Business Management Division.

Internal Audits and Audits by Audit & Supervisory Board Members

The Audit Division is a dedicated audit organization independent of the Company's lines of business execution, consisting of eight staff members as of June 27, 2013. The Audit Division formulates an audit plan according to the significance of various risks every year, based on which it performs internal audits in accordance with the Company's internal auditing regulations. In addition, the Audit Division maintains close contact with the audit organizations established within Group companies, with the view to overseeing and managing the implementation of internal audits by Group companies.

Compliance

As a company active in the life science field, the Company has formulated the Declaration of Corporate Conduct and Our Code of Conduct, both of which are

based on its management philosophy, to promote more practical compliance activities. With the Compliance Management Section as the supervising entity, the Company has built a Companywide framework for rigorously enforcing compliance. On this basis, the Company continuously conducts employee education, while striving to rigorously ensure that employees observe legal compliance and corporate ethics in the conduct of their respective duties. By appointing compliance promotion staff at each business unit, the Company has put a monitoring system in place to promptly identify compliance issues. Furthermore, the Company has established the Compliance Advisory Committee and compliance hotlines for internal or external whistleblowing.

Risk Management System

The Company has established a Risk Management Committee for initiating response measures depending on the nature, magnitude and other aspects of risks. In addition, the Company manages risks associated with management strategies by consulting with the representative directors and other members of top management on the implementation of rapid and flexible responses as necessary.

The Company has established the Risk Management Coordination Section to set up a system for conducting inspections and providing advice and guidance on all aspects of risk management activities. While identifying risks that could materialize, the Risk Management Coordination Section is working to enhance risk management so that various organizations within the Company can prepare for and respond flexibly to a variety of risks.

Corporate Social Responsibility

1. Quality Assurance Measures

The Company has established a Quality Assurance Head Office (QA Head Office) in an effort to promote quality assurance at each stage of its business activities, from R&D through manufacture, sales and post-marketing operations. The QA Head Office's role is to assess whether the quality and safety of the Company's products are scientifically assured, while ensuring conformity with laws and regulations. In addition, the QA Head Office implements quality assurance and safety management following manufacture and sales, auditing clinical trials, and planning and proposing quality assurance activities for tests being carried out at research centers.

2. Social Contribution and Environmental Preservation Activities

The Taisho Pharmaceutical Group promotes environmentally friendly business activities across all corporate business operations, from R&D to sales of products. Initiatives include measures to curb CO₂ emissions along with steps to prevent air pollution and water contamination. The Group also conducts activities in support of research in life science related fields. The Uehara Memorial Foundation that the Group established in 1985 provides research grants to people conducting research in the life sciences, and has also held some international symposiums. In addition, the Group is engaged in corporate citizenship activities, including promotion of self-medication and contributions to sports and arts.

Management's Discussion and Analysis

Company Overview

* As of July 31, 2013.

The Taisho Pharmaceutical Group is made up of Taisho Pharmaceutical Holdings Co., Ltd. and its 37 subsidiaries and three affiliated companies. The Group's main businesses are operated by the Self-Medication Operation Group and the Prescription Pharmaceutical Operation Group. The Self-Medication Operation Group handles the research, development, manufacture and sale of over-the-counter (OTC) drugs, Foods for Specified Health Use (FOSHU), food products, and medical and other healthcare supplies. The Prescription Pharmaceutical Operation Group carries out the research, development, manufacture and sale of prescription pharmaceuticals.

Operating Results

During fiscal 2012, ended March 31, 2013, the global economic recovery remained weak on the whole, as slowing growth in China, India and certain other countries weighed heavily on the global economy. Other factors dampening global economic growth included the European fiscal debt crisis and what is called the U.S. fiscal cliff issue. Due to these destabilizing factors impacting the global economy, the Japanese economy experienced only gradual improvement through to the end of 2012, although post-quake reconstruction demand became apparent. However, owing to a notable correction in the yen's appreciation and a strong rebound in stock prices following the change in Japan's ruling party, the

Japanese economy showed signs of an upturn in production and personal consumption toward the fiscal year-end.

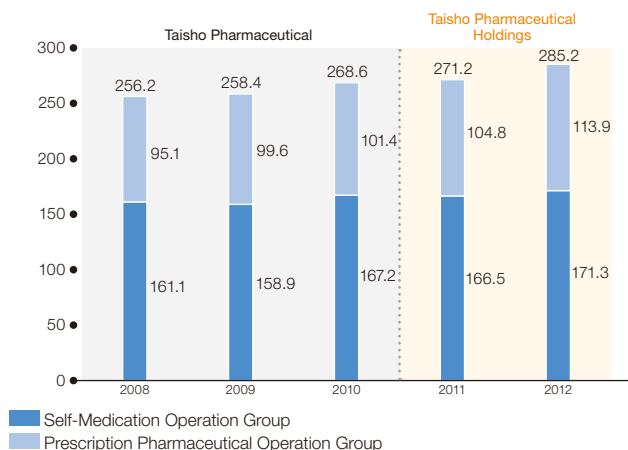
The OTC drug market, the Self-Medication Operation Group's main business field, remained anemic overall, despite bright spots in some categories such as eye drops and cough suppressants. These weak market conditions primarily reflected lackluster performances in mainstay categories such as energy drinks, cold remedies, energy mini-drinks, gastrointestinal treatments and topical anti-inflammatory analgesic drugs. The Prescription Pharmaceutical Operation Group continued to face severe business conditions. This was chiefly the result of stricter drug screening and approvals worldwide, and further penetration of various government measures designed to make healthcare costs as efficient and appropriate as possible, in addition to the increasing difficulty of new drug discovery.

Net Sales

In this business environment, the Company's Self-Medication Operation Group conducted business focused on mainstay energy drinks and OTC drugs. The Group worked to provide timely information and strengthen in-store sales and promotional activities, in order to address the increasingly diverse needs of consumers. At the same time, the Group actively implemented measures to develop business in fields where future market growth is anticipated, such as lifestyle-related diseases. Overseas, the Self-Medication Operation Group actively developed the OTC business, as well as the energy

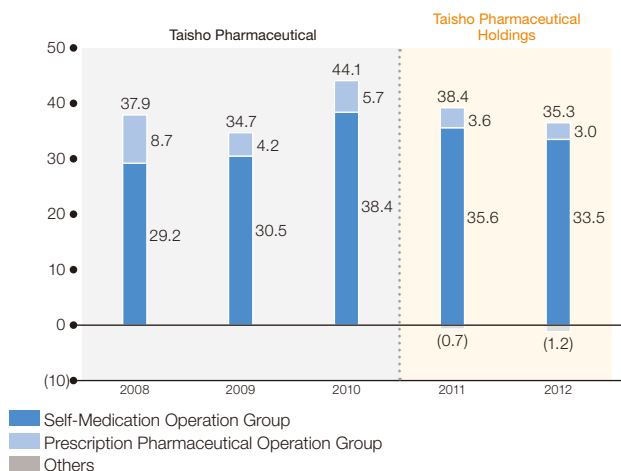
Net Sales Composition by Segment (Fiscal years)

(Billions of yen)



Operating Income Composition by Segment (Fiscal years)

(Billions of yen)



drink business, mainly in the Southeast Asia region, with the view to strengthening its business foundation.

The Prescription Pharmaceutical Operation Group conducted business focused on priority fields. It dedicated itself to the ongoing discovery of original compounds and the acceleration of research and development efforts, while reinforcing marketing capabilities by focusing on the provision of information.

As a result of the foregoing business activities, net sales for fiscal 2012 amounted to ¥285,168 million, an increase of ¥13,938 million, or 5.1%, year on year.

Gross Profit and Operating Income

Gross profit rose ¥3,964 million to ¥176,210 million. Selling, general and administrative expenses increased ¥7,040 million, or 5.3%, to ¥140,873 million, mainly due to higher sales promotion and advertising expenditures. Consequently, operating income declined ¥3,075 million, or 8.0%, to ¥35,337 million. The operating income margin decreased 1.8 percentage points to 12.4%.

R&D Expenditures

The Taisho Pharmaceutical Group conducts vigorous R&D activities centered on prescription pharmaceuticals. In fiscal 2012, R&D expenditures were ¥23,331 million, a decrease of ¥900 million, or 3.7%, year on year. R&D expenditures as a percentage of net sales were 8.2%.

In the Self-Medication Operation Group, we are carrying out R&D focused on new products that are safe and highly effective by applying our extensive base of knowledge, data, technology and other assets developed over the years. These R&D activities are conducted in the lifestyle-related disease field, including health foods, in addition to the existing fields of therapeutic drugs and energy drinks. R&D expenditures in the Self-Medication Operation Group were ¥5,908 million, an increase of ¥669 million, or 12.8%, year on year.

In the Prescription Pharmaceutical Operation Group, R&D activities have been focused on priority fields to create highly unique new drugs that will succeed in markets worldwide. R&D expenditures in the Prescription Pharmaceutical Operation Group were ¥17,423 million, a decrease of ¥1,569 million, or 8.3%, year on year.

Ordinary Income and Net Income

Non-operating income increased ¥958 million, or 11.9%, to ¥9,011 million, owing mainly to an increase in equity in earnings of affiliated companies. Non-operating expenses decreased ¥90 million, or 33.8%, to ¥175 million, mainly due to a decline in commission fee and a decrease in loss on valuation of partnership. Consequently, ordinary income was down ¥2,028 million, or 4.4%, to ¥44,173 million.

Extraordinary income rose ¥950 million, or 144.6%, to ¥1,606 million, mainly due to the posting of a gain on sales of fixed assets. Extraordinary expenses declined ¥1,294 million,

Net Sales of Main Products (Self-Medication Operation Group) (Fiscal years)

	Billions of yen				
	2008	2009	2010	2011	2012
Japan	¥148.6	¥149.2	¥153.1	¥150.8	¥151.1
Lipovitan series	74.8	70.8	71.1	69.3	66.8
Lipovitan D	52.8	49.4	48.9	47.4	44.7
Others	22.0	21.4	22.2	21.8	22.0
Pabron series	25.4	24.9	25.7	25.8	26.1
RiUP series	11.4	12.7	14.9	14.2	13.9
Livita series	2.6	3.1	3.6	4.0	4.7
Gastrointestinal treatment series	4.4	4.3	4.3	4.3	4.3
NARON series	4.4	4.4	4.6	4.1	4.1
ZENA series	3.9	3.5	3.3	3.3	3.1
Colac series	3.9	3.9	3.9	3.8	3.7
Overseas	NA	7.6	12.1	13.4	17.6
OTC drugs	—	1.3	5.1	6.2	9.6
Energy drinks	NA	5.5	6.3	6.4	7.1

or 33.5%, to ¥2,571 million, mainly due to a decrease in devaluation loss on investment securities. As a result, income before income taxes and minority interests was ¥43,208 million, an increase of ¥216 million, or 0.5%.

Net income rose ¥1,963 million, or 8.1%, to ¥26,320 million, mainly due to the impact of the reduction in the corporate income tax rate in Japan. Net income per share was ¥325.26, an increase of ¥29.06. Return on equity was 4.8%, up 0.2 of a percentage point. Diluted net income per share was ¥325.22.

Segment Information

* Increase/decrease in monetary amounts have been calculated using million-yen units.

Self-Medication Operation Group

Segment net sales increased ¥4,804 million, or 2.9%, to ¥171,271 million.

With regard to the *Lipovitan* series of energy drinks, overall sales of the *Lipovitan* series of energy drinks were ¥66.8 billion, a decrease of ¥2.4 billion, or 3.6% year on year. This was mainly due to lower sales of the mainstay *Lipovitan D* energy drinks, despite growth in sales of *Lipovitan Fine*, a low-calorie energy drink targeting women, and other energy drinks. Overall sales of the *Pabron* series of cold remedies rose ¥0.4 billion, or 1.2%, to ¥26.1 billion, supported by steady growth in sales of mainstay general cold remedies and a return to positive growth in sales of rhinitis-related products from the previous year in step with a massive airborne pollen count.

Overall sales of the *RiUP* series of hair regrowth treatments decreased ¥0.2 billion, or 1.4%, to ¥13.9 billion,

mainly owing to lower sales of mainstay *RiUP* products, despite sales contributions from the new product *RiUP JET* featuring a push-activated jet spray nozzle, which was launched in December 2012. Regarding other brands, sales of the gastrointestinal treatment series were mostly unchanged at ¥4.3 billion. Sales of the *Colac* series of constipation-related treatments declined ¥0.1 billion, or 4.5%, to ¥3.7 billion, and sales of the *ZENA* series of energy mini-drinks decreased ¥0.2 billion, or 3.5%, to ¥3.1 billion. On the other hand, sales of the *Livita* series rose ¥0.7 billion, or 17.8%, to ¥4.7 billion due to sales contributions from the new products *Fatcare* and *Middlecare*, which were launched in July 2012. Sales of the *NARON* series of anti-pyretic analgesics were ¥4.1 billion, up slightly from the previous fiscal year.

In the overseas OTC drug business, which Taisho has been developing in earnest from fiscal 2009, sales increased ¥3.4 billion, or 53.2%, to ¥9.6 billion. This reflected the contribution to sales of Hoepharma of Malaysia, which was acquired in August 2011, and four Mexican companies including CICSA, which were acquired in July 2012, in addition to steady sales growth mainly in the Thai and Indonesian markets.

Prescription Pharmaceutical Operation Group

Segment net sales increased ¥9,133 million, or 8.7%, to ¥113,896 million.

Looking at the main contributing factors, sales of the osteoporosis agent *Edirol*, which was launched in April 2011, rose ¥7.0 billion, or 377.2%, to ¥8.8 billion. In addition, sales

Net Sales of Main Products (Prescription Pharmaceutical Operation Group) (Fiscal year)

	Billions of yen				
	2008	2009	2010	2011	2012
Supplied by Taisho					
<i>Clarith</i>	¥24.0	¥23.3	¥22.9	¥21.6	¥19.0
<i>Edirol</i>	—	—	—	1.8	8.8
<i>Palux</i>	11.2	10.8	10.2	9.4	8.5
<i>Geninax</i>	3.7	4.8	4.5	6.1	6.1
<i>Lorcam</i>	4.0	3.7	3.6	3.3	3.0
Supplied by Toyama Chemical					
<i>ZOSYN</i>	¥ 4.0	¥10.7	¥14.8	¥17.6	¥21.5
<i>OZEX</i>	3.0	2.8	4.1	6.1	8.2
<i>PENTCILLIN</i>	5.5	4.3	3.8	3.0	2.3
<i>TOMIRON</i>	3.0	2.5	2.5	2.2	2.0

Taisho Pharmaceutical Holdings Co., Ltd. and its Consolidated Subsidiaries (Fiscal year)

	Taisho Pharmaceutical			Taisho Pharmaceutical Holdings	
	Millions of yen				
	2008	2009	2010	2011	2012
Sales					
Self-Medication Operation Group	¥161,141	¥158,851	¥167,195	¥166,467	¥171,271
Japan	—	149,177	153,101	150,775	151,137
Overseas	—	7,565	12,144	13,371	17,561
Others	—	2,109	1,950	2,321	2,572
Prescription Pharmaceutical Operation Group	95,072	99,590	101,436	104,763	113,896
Ethical drugs	84,712	89,612	93,172	96,512	105,437
Intermediated products, etc.	8,748	9,458	7,919	7,918	8,099
Royalty income	1,612	520	345	333	359
Segment assets:					
Self-Medication Operation Group	189,376	215,667	249,088	234,245	251,016
Prescription Pharmaceutical Operation Group	151,623	149,874	161,222	153,947	156,989
Depreciation*:					
Self-Medication Operation Group	7,984	8,588	8,935	8,702	8,516
Prescription Pharmaceutical Operation Group	3,029	2,944	2,789	2,540	2,435

*Depreciation includes amortization of long-term prepaid expenses.

of ZOSYN, an injectable penicillin-derivative and β -lactamase inhibitor combination antibiotic agent, increased ¥3.9 billion, or 22.0%, to ¥21.5 billion, and sales of OZEX, a new quinolone antibacterial agent, increased ¥2.1 billion, or 33.6%, to ¥8.2 billion. On the other hand, due in part to the impact of NHI drug price revisions in April 2012, sales of the mainstay macrolide antibiotic agent *Clarith* declined ¥2.6 billion, or 12.0%, to ¥19.0 billion and sales of the peripheral vasodilator *Palux* decreased ¥0.9 billion, or 8.8%, to ¥8.5 billion. Sales of *Geninax*, a quinolone antibacterial agent, were ¥6.1 billion, mostly unchanged from the previous fiscal year.

Sales of other products, such as intermediate products for medical use, increased ¥181 million, or 2.3%, to ¥8,099 million, while royalty income rose ¥26 million, or 7.8%, to ¥359 million.

Financial Position

The Company's financial policy calls for maintaining appropriate liquidity, securing sufficient working capital for corporate business activities and ensuring sound balance sheets.

Total assets stood at ¥676,388 million as of March 31, 2013, an increase of ¥46,882 million, or 7.4%, from a year

earlier. Current assets totaled ¥254,326 million, up ¥19,544 million, or 8.3%, from a year before, while fixed assets totaled ¥422,061 million, increasing ¥27,337 million, or 6.9%.

The increase in current assets was mainly attributable to an increase of ¥22,631 million in cash and cash equivalents from a year earlier, and an increase of ¥5,077 million in notes and accounts receivable, trade, from a year ago. This was mainly because of higher sales in the last month of the fiscal year. These increases were partly offset by a decrease of ¥4,629 million in marketable securities from from a year earlier, mainly reflecting the redemption of bonds.

The increase in fixed assets was mainly due to an increase of ¥8,079 million, or 8.7%, in tangible fixed assets to ¥100,916 million. Another factor was an increase in intangible assets of ¥5,509 million, or 14.2%, to ¥44,377 million. Investments and other assets increased ¥13,748 million, or 5.2%, to ¥276,766 million.

Total liabilities stood at ¥98,229 million as of March 31, 2013, an increase of ¥7,390 million, or 8.1%. Current liabilities decreased ¥472 million, or 0.7%, to ¥62,834 million, while long-term liabilities increased ¥7,862 million, or 28.6%, to ¥35,394 million.

Net assets stood at ¥578,158 million as of March 31, 2013, up ¥39,492 million, or 7.3%. This mainly reflected an increase of ¥17,204 million in retained earnings from the previous fiscal year-end and a decrease of ¥4,500 million in treasury stock, which is deducted from net assets, from the previous fiscal year-end. Net unrealized gains/losses on securities rose ¥11,296 million from March 31, 2012, while foreign currency translation adjustments increased ¥5,067 million from the same date.

As a result, the equity ratio declined 0.2 of a percentage point from March 31, 2012 to 83.6%. Net assets per share were ¥6,975.94.

Cash Flows

Cash and cash equivalents increased ¥21,649 million from a year before to ¥106,117 million as of March 31, 2013.

Cash Flows From Operating Activities

Net cash provided by operating activities was ¥41,292 million, a year-on-year increase of ¥17,560 million, largely due to the posting of ¥43,208 million in income before income taxes and minority interests.

Cash Flows From Investing Activities

Net cash used in investing activities was ¥9,359 million, a decrease of ¥29,989 million year on year. In the year under review, outflows consisted mainly of payment for purchases of tangible fixed assets totaling ¥11,285 million.

Cash Flows From Financing Activities

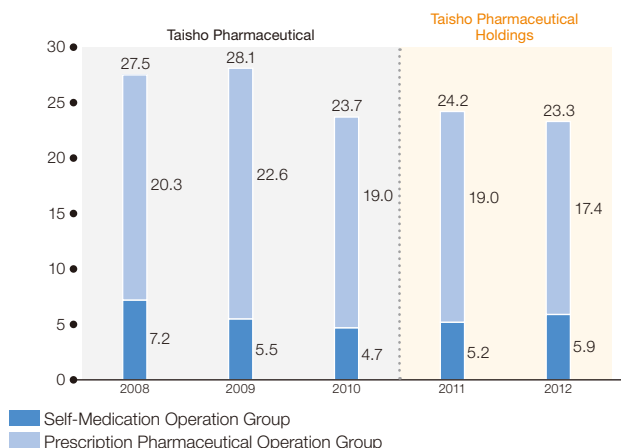
Net cash used in financing activities was ¥10,064 million, a decrease of ¥13,009 million year on year. Cash was mainly used for the payment of cash dividends totaling ¥8,858 million.

Capital Expenditures

As part of ongoing efforts to expand its business operations, the Taisho Pharmaceutical Group undertook capital expenditures totaling ¥12,287 million during fiscal 2012. Principal components included ¥606 million used for the construction of a new Kansai Branch building.

Research and Development Expenditures (Fiscal years)

(Billions of yen)



There was no material impact on our production capacity following the sale, disposal or loss of fixed assets.

Human Resources

The total number of employees as of March 31, 2013 was 6,370, an increase of 367 from a year earlier. Among the total, the Self-Medication Operation Group accounted for 2,931 employees, an increase of 140 employees year on year, while the Prescription Pharmaceutical Operation Group accounted for 1,892 employees, an increase of 36 employees year on year. There were also 1,547 employees engaged in Companywide operations not allocable to any specific segment, an increase of 191 employees year on year.

Basic Earnings Distribution Policy

The Company's basic earnings distribution policy is to maintain a stable dividend, while ensuring sufficient internal reserves to build a stronger enterprise. Aimed at strengthening our competitiveness and achieving business expansion, these internal reserves will be used for R&D, capital investment, product in-licensing, capital and business alliances and new business development. In addition, with due consideration given to the funds required for such investments, we plan to repurchase treasury stock in a flexible manner,

aiming to improve capital efficiency and implement an agile financial policy.

The Company's dividend policy is to pay dividends largely in line with its consolidated business performance each fiscal year, while targeting a dividend payout ratio of 30% of net income excluding extraordinary income/loss. Barring special circumstances, the Company plans to maintain an annual dividend of at least ¥100 per share, even when the dividend payout ratio exceeds 30%.

For the period under review, the Company declared an annual dividend of ¥120 per share to commemorate the founding centennial of Taisho Pharmaceutical Co., Ltd.

The Company's Articles of Incorporation stipulate that "the Company may pay cash dividends from surplus as an interim dividend to shareholders or registered pledgees of shares shown or recorded on the final register of shareholders every September 30, by resolution of the Board of Directors," in accordance with Article 454.5 of the Companies Act of Japan.

Important Management Issues

Self-Medication Operation Group

In the area of product development, the Company will broaden its product lineup of Category 1 medicines by introducing switch compounds (prescription pharmaceutical compounds developed for the OTC drugs market) and aggressively undertake measures to meet demand in such

new fields as metabolic syndrome and other lifestyle-related diseases, together with steps that can lead to more healthy lives. In April 2013, the Company launched *Epadel T* (Category 1 medicines), Japan's first switch-OTC drug for lifestyle-related diseases.

In the area of sales and marketing, the Company will strive to further increase the brand value it has built over many years, including the *Lipovitan* series, *Pabron* series, and *RiUP* series, while focusing on nurturing new brands such as *Livita*. Also, we will focus on further strengthening proposal-oriented sales activities based on our direct-sales system and work to enhance our communication with consumers by expanding new channels such as a mail-order system.

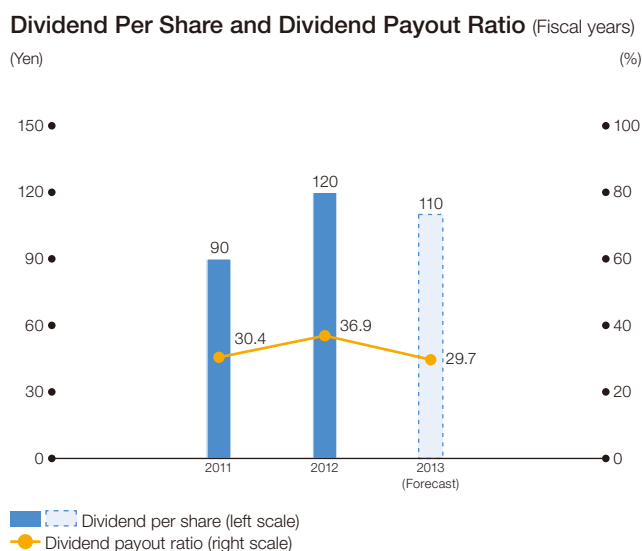
Prescription Pharmaceutical Operation Group

The operating environment of the Prescription Pharmaceutical Operation Group has become even more difficult. To successfully win out against the tough competition in this field, the Company will focus its R&D on highly unique new drugs that will succeed in markets worldwide. At the same time, we will work to enhance our drug pipeline by promoting the in-licensing of promising drug candidates and collaborative development through strengthened alliances with both domestic and overseas counterparts.

Our domestic consolidated sales and marketing subsidiary Taisho Toyama Pharmaceutical will strengthen the provision of detailed information with the aim of solidifying its position as the leader in the priority field of infectious diseases. In inflammatory/immunologic diseases, the subsidiary's other priority field, Taisho Toyama Pharmaceutical will work to achieve further market penetration of products including the osteoporosis treatment *Edirol*, which was launched in 2011, along with capturing a greater market share for this field's products.

Overseas Operations

In overseas business activities, we will work to solidify our business base for energy drinks centered on Southeast Asia to establish ourselves as a leading international name in this market sector. Also, in the OTC drug business, the Company is working to build firm business foundations by developing



business centered on Indonesia, the Philippines, Thailand and Malaysia. In addition, in July 2012, the Company acquired four Mexican companies, including CICSA, a leading pharmaceutical company in Mexico. Going forward, the Company aims to continue expanding its OTC drug business in regional markets with growth potential centered on Southeast Asia.

Fiscal 2013 Outlook

* Outlook figures are formulated as of July 31, 2013.

In fiscal 2013, ending March 31, 2014, the Company expects to post net sales of ¥293,000 million, up 2.7% compared with fiscal 2012. On the earnings front, the Company projects operating income of ¥39,500 million, up 11.8%, ordinary income of ¥47,500 million, up 7.5%, and net income of ¥30,000 million, up 14.0%. In making the above forecasts for earnings, we have taken into consideration our selling, general and administrative expenses, which are expected to increase mainly due to advertising and sales promotion costs for new products and other items.

Self-Medication Operation Group

For fiscal 2013, we forecast net sales of ¥181,200 million for the Self-Medication Operation Group, up 5.8% year on year.

Full-year sales in Japan are expected to increase by 1.9% to ¥154,000 million. Sales targets for the Company's mainstay products are as follows: the *Lipovitan* series up 0.3% to ¥67,000 million; the *Pabron* series up 0.3% to ¥26,200 million; and the *RiUP* series up 0.6% to ¥14,000 million.

Full-year overseas sales are expected to increase 44.1% to ¥25,300 million. Factoring in the impact of the ongoing correction in the yen's appreciation since fiscal 2011, higher projected at sales at Osotspa Taisho Pharmaceutical Co., Ltd. and other factors, we are forecasting higher overseas sales in fiscal 2013. OTC drug sales are projected at ¥15,500 million, up 62.2%, and energy drink sales are projected at ¥9,300 million, up 31.9%. We are assuming an exchange rate of US\$1 = ¥94 for our forecasts for fiscal 2013. (Average exchange rate for the previous fiscal year: US\$1 = ¥79)

Prescription Pharmaceutical Operation Group

For fiscal 2013, the Prescription Pharmaceutical Operation Group is forecasting net sales of ¥111,800 million, down 1.8% compared with fiscal 2012.

Sales of prescription pharmaceuticals are projected to increase 3.9% to ¥109,600 million. The Company has set higher sales targets for the following products: *ZOSYN*, up 11.8% to ¥24,000 million; *Geninax*, up 15.0% to ¥7,000 million; and *Edirol*, up 37.1% to ¥12,000 million. On the other hand, sales of *Clarith* are projected to fall 5.1% to ¥18,000 million, mainly due to the impact of policies encouraging greater use of generic products. Sales of *OZEX* are expected to increase 3.6% to ¥8,000 million.

We expect sales of intermediate products, etc., to fall 76.5% to ¥1,900 million due to the expiry of supply agreements for certain products.

Business and Other Risks

The Taisho Pharmaceutical Group faces various risks in the course of developing business. Among these risks, the primary risks that could have a material impact on investors' decisions are highlighted as follows.

Forward-looking statements mentioned in this discussion of risks reflect management's beliefs and judgments as of March 31, 2013.

1. Legal risks and risks related to healthcare policy

Our operations are subject to laws and regulations governing pharmaceutical affairs. A number of different approval and permission systems exist at each stage of pharmaceutical operations, including research, development, manufacture, import and distribution. Consequently, there is a risk that any of our products could fail to conform to regulations at one of these stages, or that previously granted approvals could be revoked. Among other risks, depending on trends in health-care policy, health insurance systems and other changes, we may also face the risk of a decline in pharmaceutical prices.

2. Risks involving pharmaceutical quality, side effects and other issues

We do our utmost to guarantee the reliability and quality of our pharmaceutical and other products. Nevertheless, unanticipated side effects, accidents and other factors could force us to recall or halt the sales of the pharmaceutical and other products affected or incur claims for damage.

3. Risks involving pharmaceutical development and commercialization

The development of pharmaceuticals is a lengthy process and requires a substantial amount of research and development investment. There is an element of uncertainty inherent in the successful launch of products and businesses.

4. Risks involving intellectual property rights

If we are not properly protected by our intellectual property rights, there is a risk that a third party might use our technology and other intellectual property to undermine our market competitiveness. Similarly, there is the risk that we might encroach on the intellectual property rights of third parties.

5. Risks related to patent expiry

Although we strive to extend product life cycles, sales could be negatively impacted by, for example, the emergence of a generic drug or a switch to an OTC drug produced following the expiration of a patent.

6. Risks from lawsuits

We face the possibility of lawsuits in the course of our business activities related to product liability, environmental issues and other matters.

7. Risks from fluctuations in foreign exchange rates

Fluctuations in foreign currency exchange rates could affect royalties denominated in foreign currencies received from outside Japan, commercial transactions and other factors, thus impacting our operating results.

8. Other risks

Due to various events, including sudden earthquakes, tsunamis and other natural disasters and the deterioration of the social order at the overseas locations where we operate, we could suffer major setbacks, such as the destruction of our business sites and infrastructure or the need to downsize or withdraw from businesses.

In addition, there are a variety of other risks involved, including those associated with the external procurement of raw materials and a dependency on the licenses of products developed by other companies.

Please note, therefore, that the aforementioned risks do not constitute all the risks inherent in the Company's business activities.

Consolidated Balance Sheet

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
As of March 31, 2012 and 2013

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Current assets:			
Cash and cash equivalents (Notes 8 and 10)	¥ 94,672	¥ 117,303	\$ 1,247,776
Notes and accounts receivable, trade (Note 10)	78,663	83,740	890,753
Marketable securities (Notes 8, 10 and 11)	19,055	14,426	153,452
Inventories	24,799	25,833	274,791
Deferred income taxes (Note 15)	8,567	6,522	69,378
Other current assets (Note 17)	9,195	7,064	75,145
Allowance for doubtful accounts (Note 10)	(170)	(562)	(5,977)
Total current assets	234,782	254,327	2,705,318
Fixed assets:			
Tangible fixed assets:			
Buildings and structures	130,435	140,646	1,496,080
Machinery and equipment	79,970	83,564	888,879
Land	35,346	37,774	401,804
Construction-in-progress	5,103	3,661	38,943
Others	33,341	33,862	360,197
Accumulated depreciation and impairment loss	(191,359)	(198,589)	(2,112,436)
Total tangible fixed assets	92,837	100,917	1,073,467
Intangible assets:			
Goodwill	17,731	21,746	231,320
Sales rights	8,883	8,199	87,213
Others	12,254	14,432	153,522
Total intangible assets	38,869	44,378	472,054
Investments and other assets:			
Investment securities (Notes 10 and 11)	198,138	208,006	2,212,596
Investment securities in affiliates	47,145	49,576	527,350
Investments in capital of subsidiaries and affiliates	—	1,174	12,492
Long-term prepaid expenses	993	930	9,893
Deferred income taxes (Note 15)	9,163	7,268	77,309
Other assets	7,708	9,934	105,670
Allowance for doubtful accounts	(129)	(122)	(1,295)
Total investments and other assets	263,018	276,767	2,944,013
Total fixed assets	394,724	422,061	4,489,534
Total assets (Note 16)	¥ 629,506	¥ 676,388	\$ 7,194,852

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Current liabilities:			
Notes and accounts payable, trade	¥ 28,987	¥ 28,352	\$ 301,588
Accounts payable	12,286	12,535	133,333
Accrued income taxes (Note 15)	5,727	3,710	39,461
Accrued expenses	8,837	8,895	94,619
Provision for sales returns	472	529	5,626
Accrued bonuses to employees	4,631	4,663	49,597
Other current liabilities	2,368	4,151	44,160
Total current liabilities	63,307	62,835	668,384
Long-term liabilities:			
Accrued retirement benefits for employees (Note 13)	17,590	18,213	193,730
Accrued retirement benefits for directors and corporate auditors	1,537	1,667	17,736
Deferred income taxes (Note 15)	4,455	10,904	115,987
Other long-term liabilities	3,952	4,611	49,044
Total long-term liabilities	27,533	35,395	376,498
Net Assets:			
Shareholders' equity:			
Common stock (Note 7)			
Authorized—			
2012: 360,000 thousand shares			
2013: 360,000 thousand shares			
Issued—			
2012: 90,139 thousand shares			
2013: 90,139 thousand shares	30,000	30,000	319,115
Capital surplus	15,000	15,270	162,430
Retained earnings	550,605	567,810	6,039,888
Treasury stock, at cost (Note 7)			
(2012: 9,755 thousand shares, 2013: 9,044 thousand shares)	(61,897)	(57,397)	(610,537)
Total shareholder's equity	533,709	555,683	5,910,896
Accumulated other comprehensive income:			
Net unrealized gains/losses on securities	4,748	16,045	170,671
Foreign currency translation adjustments	(11,080)	(6,014)	(63,971)
Total accumulated other comprehensive income	(6,332)	10,031	106,700
Subscription rights to shares	—	92	978
Minority interests in consolidated subsidiaries	11,290	12,353	131,397
Total net assets	538,667	578,159	6,149,970
Total liabilities and net assets	¥629,506	¥676,388	\$7,194,852

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Income

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the year ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Net sales (Note 16)	¥271,231	¥285,168	\$3,033,383
Cost of sales (Note 5)	98,984	108,958	1,159,004
Gross profit	172,246	176,210	1,874,379
Selling, general and administrative expenses (Note 5)	133,833	140,873	1,498,493
Operating income (Note 16)	38,413	35,337	375,886
Non-operating income:			
Interest income	5,138	5,326	56,654
Dividend income	1,122	1,119	11,905
Equity in earnings of affiliated companies	1,179	1,590	16,914
Others (Note 17)	614	977	10,389
	8,054	9,012	95,862
Non-operating expense:			
Interest expense	12	17	184
Loss on valuation of partnership	66	—	—
Commission fee	144	111	1,185
Others	44	47	499
	266	176	1,868
Ordinary income	46,201	44,173	469,880
Extraordinary income:			
Gain on sales of fixed assets (Note 5)	186	1,607	17,092
Reversal of provision for losses related to disaster	469	—	—
Gain on sales of golf club memberships	1	—	—
	657	1,607	17,092
Extraordinary loss:			
Loss on disposal of fixed assets (Note 5)	186	240	2,552
Devaluation loss on investment securities	3,668	2,199	23,394
Loss on sales of golf club memberships	10	—	—
Special retirement expenses	—	68	719
Loss on abandonment of inventories	—	65	692
	3,865	2,572	27,358
Income before income taxes and minority interests	42,993	43,208	459,615
Income taxes (Note 15):			
Current	14,482	11,461	121,916
Deferred	3,259	4,169	44,351
	17,741	15,631	166,267
Income before minority interests	25,252	27,578	293,348
Minority interests in consolidated subsidiaries	894	1,257	13,374
Net income (Note 18)	¥ 24,358	¥ 26,320	\$ 279,974

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the year ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Income before minority interests	¥25,252	¥27,578	\$293,348
Other comprehensive income:			
Unrealized gain on securities	2,793	10,476	111,435
Foreign currency translation adjustments	(1,716)	5,087	54,110
Share of other comprehensive income of associates accounted for using equity method	21	960	10,213
Total other comprehensive income	1,098	16,523	175,758
Comprehensive income	¥26,350	¥44,101	\$469,106
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	¥25,460	¥42,683	\$454,026
Comprehensive income attributable to minority interests	890	1,418	15,080

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Net Assets

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the year ended March 31, 2012 and 2013

	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity	Net unrealized gains/losses on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2011	¥29,804	¥14,935	¥533,969	¥(46,772)	¥531,937	¥ 1,940	¥ (9,374)	¥ (7,434)		¥10,728	¥535,231
Changes in the period											
Purchase of treasury stock				(15,080)	(15,080)						(15,080)
Dividends			(7,452)		(7,452)						(7,452)
Net income			24,358		24,358						24,358
Changes due to incorporation of holding company through share transfers	196	65	(270)	9							
Effect of changes in the shares of equity-method affiliates				(54)	(54)						(54)
Net changes in items except shareholders' equity						2,809	(1,706)	1,102		561	1,664
Total changes in the period	196	65	16,636	(15,125)	1,772	2,809	(1,706)	1,102		561	3,435
Balance as of March 31, 2012	¥30,000	¥15,000	¥550,605	¥(61,897)	¥533,709	¥ 4,748	¥(11,080)	¥ (6,332)		¥11,290	¥538,667
Changes in the period											
Purchase of treasury stock				(61)	(61)						(61)
Cancellation of treasury stock		270		4,561	4,831						4,831
Change of scope of consolidation			(223)		(223)						(223)
Dividends			(8,892)		(8,892)						(8,892)
Net income			26,320		26,320						26,320
Effect of changes in the shares of equity-method affiliates				0	0						0
Net changes in items except shareholders' equity						11,296	5,066	16,363	¥92	1,063	17,517
Total changes in the period	270	17,205	4,500	21,975	11,296	5,066	16,363	92	1,063	39,492	
Balance as of March 31, 2013	¥30,000	¥15,270	¥567,810	¥(57,397)	¥555,683	¥16,045	¥ (6,014)	¥10,031	¥92	¥12,353	¥578,159

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity	Net unrealized gains/losses on other securities	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance as of April 1, 2012	\$319,115	\$159,557	\$5,856,879	\$(658,405)	\$5,677,147	\$ 50,509	\$(117,861)	\$ (67,352)		\$120,092	\$5,729,887
Changes in the period											
Purchase of treasury stock				(652)	(652)						(652)
Cancellation of treasury stock		2,872		48,518	51,390						51,390
Change of scope of consolidation			(2,377)		(2,377)						(2,377)
Dividends			(94,588)		(94,588)						(94,588)
Net income			279,974		279,974						279,974
Effect of changes in the shares of equity-method affiliates				2	2						2
Net changes in items except shareholders' equity						120,161	53,890	174,052	\$978	11,305	186,334
Total changes in the period	2,872	183,009	47,868	233,750	120,161	53,890	174,052	978	11,305	420,084	
Balance as of March 31, 2013	\$319,115	\$162,430	\$6,039,888	\$(610,537)	\$5,910,896	\$170,671	\$ (63,971)	\$106,700	\$978	\$131,397	\$6,149,970

The accompanying notes are in integral part of these financial statement.

Consolidated Statement of Cash Flows

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries
For the year ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 42,993	¥ 43,208	\$ 459,615
Adjustments:			
Depreciation and amortization (Note 16)	11,242	10,952	116,495
Amortization of goodwill	836	1,104	11,742
Gain on sales of fixed assets (Note 5)	(186)	(1,607)	(17,092)
Loss on disposals of fixed assets (Note 5)	186	240	2,552
Devaluation losses on investment securities	3,668	2,199	23,394
Interest and dividend income	(6,260)	(6,445)	(68,559)
Interest expense	12	17	184
Equity in earnings of affiliated companies	(1,179)	(1,590)	(16,914)
Decrease in allowance for doubtful accounts	(388)	(2)	(17)
Increase in accrued retirement benefits	336	315	3,351
Increase in prepaid pension costs	(1,128)	(1,145)	(12,177)
Increase in accrued directors' retirement benefits	72	37	397
(Decrease) increase in accrued bonuses for employees	68	(60)	(641)
Decrease in provision for losses related to disaster	(1,045)	—	—
Increase in notes and accounts receivable, trade	(12,522)	(2,035)	(21,642)
Decrease (increase) in inventories	(1,587)	8	86
(Decrease) increase in notes and accounts payable, trade	3,875	(2,168)	(23,056)
Decrease in long-term liabilities	(56)	(38)	(403)
Other, net	(4,689)	228	2,422
Subtotal	34,248	43,220	459,736
Interest and dividends income received	6,340	6,544	69,605
Interest paid	(12)	(17)	(184)
Income taxes paid	(16,844)	(13,541)	(144,040)
Income taxes refund	—	5,088	54,117
Net cash provided by operating activities	23,733	41,292	439,235
Cash flows from investing activities:			
Decrease (increase) in time deposits	(714)	187	1,990
Proceeds from sales/redemption of marketable securities	—	19,000	202,106
Payments for purchases of tangible fixed assets	(7,427)	(11,285)	(120,044)
Proceeds from sales of tangible fixed assets	218	1,773	18,864
Payments for purchases of intangible fixed assets	(3,814)	(1,396)	(14,850)
Proceeds from sales of intangible fixed assets	7	33	354
Payments for purchases of investment securities	(28,246)	(11,076)	(117,816)
Proceeds from sales of investment securities	9,096	39	420
Payment for purchases of investment in subsidiaries resulting in change in scope of consolidation (Note 8)	(9,910)	(6,279)	(66,789)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	753	8,014
Payments for purchases of investments in subsidiaries	—	(43)	(462)
Proceeds from sales of investment in subsidiaries	4	60	640
Proceeds from sales of investment securities in affiliates	4,232	—	—
Payments for long-term prepaid expenses	(500)	(475)	(5,048)
Other, net	(2,295)	(652)	(6,933)
Net cash used in investing activities	(39,349)	(9,359)	(99,555)
Cash flows from financing activities:			
Proceeds from short-term loans payable	282	100	1,059
Repayment of short-term loans payable	(235)	(514)	(5,473)
Repayment of long-term loans payable	(10)	(155)	(1,646)
Proceeds from stock issuance to minority shareholders	—	110	1,171
Repayment of capitalized lease obligations	(277)	(251)	(2,671)
Payments for purchases of treasury stock	(15,080)	(61)	(652)
Cash dividends paid	(7,426)	(8,859)	(94,232)
Cash dividends paid to minority shareholders	(329)	(433)	(4,610)
Net cash used in financing activities	(23,074)	(10,064)	(107,053)
Effect of exchange rate changes on cash and cash equivalents	(445)	865	9,198
Net decrease in cash and cash equivalents	(39,135)	22,734	241,825
Cash and cash equivalents at the beginning of the year	123,603	84,468	898,502
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(1,085)	(11,539)
Cash and cash equivalents at the end of the year (Note 8)	¥ 84,468	¥106,117	\$1,128,787

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Taisho Pharmaceutical Holdings Co., Ltd. and Its Consolidated Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements:

The accompanying consolidated financial statements of Taisho Pharmaceutical Holdings Co., Ltd. (the "Company") and its domestic and foreign subsidiaries (together, the "Companies") are basically English versions of those which have been filed with the Ministry of Finance and prepared in accordance with accounting principles and practices generally accepted in Japan, which differ in certain respects to the application and disclosure requirements of International Financial Reporting Standards. The preparation of these financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements as well as reported amounts of revenues and expenses during the reporting periods.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present these statements in a form which is more familiar to the readers of these statements outside Japan.

The figures shown in the consolidated financial statements have been rounded to the nearest million yen.

The U.S. dollar amounts are included solely for convenience and have been translated at the rate of ¥94.01 = U.S. \$1, the approximate exchange rate prevailing in the Japanese foreign exchange market as at March 31, 2013. This translation should not be construed as a representation that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that rate.

2. Summary of Significant Accounting Policies:

(1) Consolidation

a) Consolidated subsidiaries as of March 31, 2013

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries (36 companies at March 31, 2013). Main subsidiaries are as follows:

Taisho Pharmaceutical Co., Ltd.
Taisho Toyama Pharmaceutical Co., Ltd.
Biofermin Pharmaceutical Co., Ltd.
Osotspa Taisho Pharmaceutical Co., Ltd.
TOKUHON Corporation

b) Non-consolidated subsidiaries as of March 31, 2013

Taisho Foods Deutschland GmbH

This non-consolidated subsidiary has a small scale of operations, and its total assets, net sales, net income (corresponding to equity share), retained earnings (corresponding to equity share) and other accounts have no material impact on the consolidated financial statements. Accordingly, this company has been excluded from the scope of consolidation.

c) Equity-method affiliates

Investments in all affiliated companies (three affiliates at March 31, 2013) where shareholdings are more than 20% and where the Company has significant influence over operations, finance and management, are accounted for by the equity method. Main affiliates are Toyama Chemical Co., Ltd. and Yomeishu Seizo Co., Ltd.

d) Unconsolidated subsidiaries and affiliates that are not accounted for by the equity method

Taisho Foods Deutschland GmbH

This non-consolidated subsidiary has a small scale of operations, and its net income (corresponding to equity share) and retained earnings (corresponding to equity share) have no material impact on the consolidated financial statements. Accordingly, this company has been excluded from the scope of consolidation.

e) Account closing dates

All significant intercompany transactions and accounts and unrealized intercompany profits are eliminated on consolidation. The results of consolidated subsidiaries, except for Taisho Pharmaceutical Co., Ltd., Taisho Toyama Pharmaceutical Co., Ltd., Biofermin Pharmaceutical Co., Ltd. and five other companies, are included in the consolidated accounts for the fiscal years ended December 31, 2012, while the accounts of the eight subsidiaries listed above are consolidated using their results for the fiscal years ended March 31, 2013. Material differences in intercompany transactions and accounts arising from the use of the different fiscal year-ends are appropriately adjusted for on consolidation.

(2) Valuation standards and valuation methods for major assets

a) Securities:

- 1) Held-to-maturity debt securities are stated at cost after accounting for any premium or discount on acquisition, which is amortized over the period to maturity.
- 2) Other securities for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount. Other securities for which market quotations are unavailable are stated at cost determined by the moving average method.

When the fair value of held-to-maturity debt securities or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Debt securities due within one year are presented as "marketable securities" and all other securities are presented as "investment securities."

b) Derivatives:

All derivatives are stated at fair value, with changes in fair value included in profit or loss in the period in which they arise, except for derivatives that are designated as “hedging instruments.”

c) Inventories:

Merchandise, finished goods and work-in-process are stated at the lower of cost or net realizable value, which is determined by the weighted average method. Raw materials are stated at the lower of cost or net realizable value, which is determined by the moving average method. Supplies are stated at the lower of cost or net realizable value, which is determined by applying the last purchase price method.

(3) Depreciation and amortization of major assets**a) Tangible fixed assets (except for lease assets):**

Tangible fixed assets, including significant renewals and improvements, are capitalized at cost. Maintenance and repairs and minor renewals and betterments are charged to income. Depreciation is computed primarily using the declining-balance method for domestic consolidated subsidiaries and the straight-line method for foreign consolidated subsidiaries. However, buildings acquired by domestic consolidated subsidiaries on or after April 1, 1998 (excluding facilities attached to buildings) are depreciated using the straight-line method. The useful lives are determined based on the useful economic life.

In the case of retirement or disposal, the difference between the net carrying amount and salvage or sales proceeds is charged or credited to income.

b) Intangible assets (except for lease assets):

The straight-line method is adopted. Sales rights are amortized based on the straight-line method over the expected useful economic life. Software for in-house use is amortized based on the straight-line method over the expected useful economic life of 5 years.

c) Lease assets:

The straight-line method is adopted over the lease term with no residual value. However, finance lease transactions that do not transfer ownership, of which contract start dates are prior to April 1, 2008, are accounted for in a manner similar to operating leases.

(4) Significant deferred assets

The full amount is charged to income as an expense when paid.

(5) Basis of provision**a) Allowance for doubtful accounts:**

An allowance for doubtful accounts is provided for estimated future losses based on past experience, and based on assessment of the collectability of individual receivables.

b) Provision for sales returns:

Provision for sales returns is provided for the expected returns of sales at the end of the fiscal year.

c) Accrued bonuses to employees:

Accrued bonuses are provided for the expected payments of employees' bonuses at the end of the fiscal year.

d) Accrued retirement benefits for employees:

The lump-sum severance indemnity regulations of the Companies, which cover substantially all employees, provide for benefit payments determined by reference to the employee's current basic rate of pay, length of service periods, qualification, evaluation and managerial posts.

The accrued retirement benefit represents the excess of the actuarially calculated present value of the projected benefit obligation over the fair value of the plan assets except for, as permitted under the standard, the unrecognized actuarial differences and the unrecognized prior service cost which are amortized on a straight-line basis over the period within the average remaining service period of employees. The unrecognized actuarial differences are amortized from the beginning of the subsequent year, while the unrecognized prior year service costs are amortized from the year in which they arise.

e) Accrued retirement benefits for directors and corporate auditors:

The Company and domestic consolidated subsidiaries have accrued severance indemnities cost for directors and corporate auditors based on internal regulations.

(6) Foreign currency translation

Foreign currency transactions are translated using foreign exchange rates prevailing at the transaction dates.

All monetary assets and liabilities denominated in foreign currencies, whether they are long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

All assets and liabilities of foreign subsidiaries and affiliates are translated at current rates at the respective balance sheet dates and all the income and expense accounts are translated at average rates for respective periods. Foreign currency translation adjustments are presented as a component of shareholders' equity in the consolidated financial statements.

(7) Hedge accounting

Gains or losses arising from changes in the fair value of derivatives designated as “hedging instruments” are deferred as a component of net assets and included in profit or loss in the same period in which the gains or losses on the hedged items or transactions are recognized.

Derivatives designated as hedging instruments by the Company are principally currency forward contracts and interest rate swaps. A hedged item is an asset, liability, firm commitment, or forecasted future transaction that exposes the enterprise to the risk of changes in fair value or changes in future cash flows and that, for hedge accounting purposes, is designated as being hedged.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of exchange and interest rate fluctuations. Thus, the Company's purchase of hedging instruments is limited to, at maximum, the amount of the items to be hedged.

The Company evaluates the effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(8) Amortization of goodwill

Goodwill is amortized equally over the effective periods.

(9) Cash and cash equivalents in consolidated statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash on hand, demand deposits and short-term investments that are readily convertible into cash, are exposed to negligible risk of a change in value, and mature within three months or less.

(10) Consumption tax

Financial statements are prepared exclusive of consumption tax.

(11) Accounting standards issued but not yet applied

On May 17, 2012, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits."

Under the revised accounting standards, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within the net assets section of the consolidated balance sheet, after adjusting for tax effects, and the deficit or surplus is to be recognized as a liability or asset without any adjustments. In terms of the treatment in the consolidated statement of income and the consolidated statement of comprehensive income, actuarial gains and losses and past service costs that arose during the current period and are yet to be recognized in profit or loss will be included in other comprehensive income. Meanwhile, actuarial gains and losses and past service costs that were recognized in accumulated other comprehensive income in prior periods and then recognized in profit or loss in the current period will be treated as reclassification adjustments.

The Company expects to apply the revised accounting standards from the end of fiscal years beginning on or after April 1, 2013.

The impact of these revised accounting standards on the financial statements was under assessment at the time of preparation of the accompanying consolidated financial statements.

3. Changes in Accounting Policies:

(Change in Depreciation Method)

Effective from the fiscal year ended March 31, 2013, the domestic consolidated subsidiaries have changed the depreciation method for property, plant and equipment acquired on or after April 1, 2012 to the method based on the amended Corporation Tax Act, in accordance with the amendment of the Corporation Tax Act.

The impact of this change on operating income, ordinary income and income before income taxes for the fiscal year ended March 31, 2013 is immaterial.

4. Notes to Consolidated Balance Sheet:

Assets pledged as collateral and secured liabilities

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Assets pledged as collateral			
Buildings and structures	¥204	¥77	\$823
Land	—	7	76
Total	¥204	¥85	\$900
Secured liabilities			
Short-term borrowings	¥ 28	—	—
Current portion of long-term debt	23	—	—
Long-term debt	118	—	—
Other long-term liabilities	—	¥43	\$454
Total	¥170	¥43	\$454

5. Notes to Consolidated Statement of Income:

(1) Selling, general and administrative expenses

The major components of "Selling, general and administrative expenses" are as follows:

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Freight charges	¥ 7,301	¥ 7,300	\$ 77,647
Advertisement costs	15,902	16,833	179,058
Sales promotion costs	26,935	28,365	301,722
Salaries and bonuses	23,919	25,391	270,091
Provisions for bonuses to employees	2,640	2,692	28,640
Pension costs	2,083	2,107	22,410
Research and development expenditures	24,231	23,332	248,181

(2) Research and development expenditures

Research and development expenditures are charged to income when incurred, and are included in cost of sales and selling, general and administrative expenses. Research and development expenditures amounted to ¥23,332 million (\$248,181 thousand) for the fiscal year ended March 31, 2013.

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Research and development expenditures	¥24,231	¥23,332	\$248,181

(3) Breakdown of gain on sales and loss on disposal of fixed assets

The gain on sales of fixed assets is broken down as follows:

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Buildings and structures	¥ 1	¥ 127	\$ 1,350
Machinery, equipment and vehicles	3	13	135
Land	179	1,467	15,601
Other fixed assets	3	1	6
Total	¥186	¥1,607	\$17,092

The loss on disposal of fixed assets is broken down as follows:

Year ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Buildings and structures	¥112	¥167	\$1,772
Machinery, equipment and vehicles	23	35	372
Software	40	—	—
Other fixed assets	11	9	100
Other intangible assets	—	29	308
Total	¥186	¥240	\$2,552

6. Notes to Consolidated Statement of Comprehensive Income:

Reclassification adjustments and tax effect relating to other comprehensive income for the fiscal year ended March 31, 2012 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Net unrealized gains/losses on investment securities:			
Amount arising during the period	¥ (97)	¥12,977	\$138,043
Reclassification adjustment	3,668	2,199	23,394
Before tax effect adjustment	3,571	15,177	161,437
Tax effect	(778)	(4,701)	(50,002)
Net unrealized gains/losses on investment securities	2,793	10,476	111,435
Deferred gains/losses on hedges:			
Amount arising during the period	(334)	(59)	(629)
Adjustment of cost of asset acquisition	334	59	629
Reclassification adjustment	—	—	—
Before tax effect adjustment	—	—	—
Tax effect	—	—	—
Deferred gains/losses on hedges	—	—	—
Foreign currency translation adjustments:			
Amount arising during the period	(1,716)	5,087	54,110
Reclassification adjustment	—	—	—
Before tax effect adjustment	(1,716)	5,087	54,110
Tax effect	—	—	—
Foreign currency translation adjustments	(1,716)	5,087	54,110
Share of other comprehensive income of affiliates using accounted for using the equity method:			
Amount arising during the period	(12)	960	10,213
Reclassification adjustment	33	0	0
Share of other comprehensive income of affiliates accounted for using the equity method	21	960	10,213
Total other comprehensive income	¥ 1,098	¥16,523	\$175,758

7. Notes to Consolidated Statement of Changes in Net Assets:**For the year ended March 31, 2012:****(1) Matters related to type and total number of shares issued and treasury shares****Shares issued**

Share type	Previous fiscal year-end (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Subject fiscal year-end (thousand shares)
Common stock	300,465	90,139* ¹	300,465* ²	90,139

Treasury stock

Share type	Previous fiscal year-end (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Subject fiscal year-end (thousand shares)
Common stock	24,664	9,755* ³	24,664* ⁴	9,755

*¹ Shares issued increased due to the fact that Taisho Pharmaceutical Co., Ltd. issued 90,193 thousand shares when the Company was established through a sole share transfer.

*² Shares issued decreased by 300,465 thousand shares due to the sole share transfer.
 *³ Treasury stock increased by 7,404 thousand shares due to the sole share transfer.

Treasury stock also increased due to the fact that Company bought shares as a result of the Board decision to purchase 2,339 thousand shares. In addition, the Company bought 10 thousand fractional shares which are in total less than one thousand shares.

*⁴ Treasury stock decreased by 24,664 thousand shares due to the sole share transfer.

(2) Matters related to dividends**a) Amount of dividends paid:**

Taisho Pharmaceutical Holdings Co., Ltd. is the wholly-owning parent company of Taisho Pharmaceutical Co., Ltd. and was established through a sole share transfer on October 3, 2011. Accordingly, the amount of dividends paid is approved by the wholly owned subsidiary's ordinary general meeting of shareholders and a meeting of directors, as follows:

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividends per share (yen)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 29, 2011	Common stock (Taisho Pharmaceuticals Co., Ltd.)	4,140	15	March 31, 2011	June 30, 2011
Meeting of directors held on October 31, 2011	Common stock (Taisho Pharmaceuticals Co., Ltd.)	3,312	12	September 30, 2011	December 2, 2011

b) Of the dividends for which the date of record is in the fiscal year ended March 31, 2012, those dividends with effective date in the following consolidated fiscal year are as follows;

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividends per share (yen)	Date of record	Effective date	Fiscal resource of dividends
Ordinary general meeting of shareholders held on June 28, 2012	Common stock	4,022	50	March 31, 2012	June 29, 2012	Retained earnings

For the year ended March 31, 2013:**(1) Matters related to type and total number of shares issued and treasury shares****Shares issued**

Share type	Previous fiscal year-end (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Subject fiscal year-end (thousand shares)
Common stock	90,139	—	—	90,139

Treasury stock

Share type	Previous fiscal year-end (thousand shares)	Increase (thousand shares)	Decrease (thousand shares)	Subject fiscal year-end (thousand shares)
Common stock	9,755	9* ¹	720* ²	9,044

*¹ The increase in 9,000 shares was attributable to the purchase of shares of less than one trading unit.

*² The decrease in 720,000 shares was attributable to a treasury stock allotment through the share exchange with TOKUHON Corporation.

(2) Matters related to subscription rights to shares and treasury subscription rights to shares

Category	Type of subscription rights to shares	Type of shares to be granted upon the exercise of subscription rights to shares	No. of shares to be granted upon the exercise of subscription rights to shares (shares)				Fiscal year-end balance (¥ million)
			Start of fiscal year	Increase during fiscal year	Decrease during fiscal year	End of fiscal year	
Submitting company (Parent company)	subscription rights to shares as stock options	—	—	—	—	—	92
Total		—	—	—	—	—	92

Category	Type of subscription rights to shares	Type of shares to be granted upon the exercise of subscription rights to shares	No. of shares to be granted upon the exercise of subscription rights to shares (shares)				Fiscal year-end balance (\$ thousand)
			Start of fiscal year	Increase during fiscal year	Decrease during fiscal year	End of fiscal year	
Submitting company (Parent company)	subscription rights to shares as stock options	—	—	—	—	—	978
Total		—	—	—	—	—	978

(3) Matters related to dividends

a) Amount of dividends paid:

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividends per share (yen)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 28, 2012	Common stock	4,022	50	March 31, 2012	June 29, 2012
Meeting of directors held on October 31, 2012	Common stock	4,870	60	September 30, 2012	December 4, 2012

Resolution	Type of stock	Total amount of dividends (thousands of U.S. dollars) (Note 1)	Dividends per share (U.S. dollars) (Note 1)	Date of record	Effective date
Ordinary general meeting of shareholders held on June 28, 2012	Common stock	42,787	0.53	March 31, 2012	June 29, 2012
Meeting of directors held on October 31, 2012	Common stock	51,801	0.64	September 30, 2012	December 4, 2012

b) Of the dividends for which the date of record is in the fiscal year ended March 31, 2013, those dividends with effective date in the following consolidated fiscal year are as follows;

Resolution	Type of stock	Total amount of dividends (millions of yen)	Dividends per share (yen)	Date of record	Effective date	Fiscal resource of dividends
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	4,870	60	March 31, 2013	June 28, 2013	Retained earnings

Resolution	Type of stock	Total amount of dividends (thousands of U.S. dollars) (Note 1)	Dividends per share (U.S. dollars) (Note 1)	Date of record	Effective date	Fiscal resource of dividends
Ordinary general meeting of shareholders held on June 27, 2013	Common stock	51,798	0.64	March 31, 2013	June 28, 2013	Retained earnings

8. Notes to Consolidated Statement of Cash Flows:

Cash and cash equivalents at March 31, 2012 and 2013 comprise the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Cash and time deposits with original maturity of three months or less	¥ 94,672	¥117,303	\$1,247,776
Marketable securities	19,055	14,426	153,452
Sub total	113,728	131,729	1,401,228
Cash and time deposits with original maturity of more than three months	(10,204)	(11,186)	(118,989)
Marketable securities with original maturity of more than three months	(19,055)	(14,426)	(153,452)
Total	¥ 84,468	¥106,117	\$1,128,787

9. Finance Leases (Lessee):

Finance leases other than those which transfer ownership of properties to lessees

a) Description of lease asset:

Tangible fixed assets

Mainly information technology equipment

b) Depreciation method:

Please refer to Note 2. (3) Depreciation and amortization of major assets (c) lease assets.

Finance lease transactions that do not transfer ownership, of which the contract start date is prior to April 1, 2008, are accounted for as operating leases. Detailed notes for the fiscal year ended March 31, 2011 have been omitted as they are insignificant.

10. Financial Instruments:

(1) Status of financial instruments

a) Policy related to financial instruments:

The Company and consolidated subsidiaries invest only in short-term deposits and highly secure financial assets in accordance with the internal guideline for fund management. The Companies raise funds through borrowings from financial institutions including banks. The Companies do not enter into derivative transactions for speculative purposes.

b) Details of financial instruments, risks and risk management system:

Notes and accounts receivable—trade are exposed to customer credit risk. In order to mitigate the risk, the balances and status of these receivables are monitored and managed in accordance with the internal management regulations for credit risk.

Marketable securities and investment securities mainly consist of equity securities, corporate bonds and preferred equity securities. While these securities are exposed to market price fluctuation risk, the Company monitors market prices of these securities and financial conditions of the issuers periodically.

c) Supplementary explanation regarding the fair values of financial instruments:

The fair value of financial instruments is based on market values as well as reasonably determined values in situations where the market value is unavailable.

(2) Fair value of financial instruments

Amounts carried on the consolidated balance sheet, their fair values, and the differences between them are as follows:

March 31, 2012	Millions of yen		
	Carrying amount	Fair value	Variance
a) Cash and deposits	¥ 94,672	¥ 94,672	¥ —
b) Notes and accounts receivable—trade	78,663		
Allowance for doubtful accounts	(170)		
	78,493	78,493	—
c) Marketable securities			
Available-for-sale securities	19,055	19,055	—
d) Investment securities			
Available-for-sale securities	197,683	197,683	—
e) Investment securities in affiliates	8,213	5,240	(2,973)
<hr/>			
March 31, 2013	Millions of yen		
	Carrying amount	Fair value	Variance
a) Cash and deposits	¥117,303	¥117,303	¥ —
b) Notes and accounts receivable—trade	83,740		
Allowance for doubtful accounts	(562)		
	83,178	83,178	—
c) Marketable securities			
Available-for-sale securities	14,426	14,426	—
d) Investment securities			
Available-for-sale securities	207,514	207,514	—
e) Investment securities in affiliates	8,686	5,452	(3,235)

March 31, 2013	Thousands of U.S. dollars (Note 1)		
	Carrying amount	Fair value	Variance
a) Cash and deposits	\$1,247,776	\$1,247,776	\$ —
b) Notes and accounts receivable—trade	890,753		
Allowance for doubtful accounts	(5,977)		
	884,776	884,776	—
c) Marketable securities			
Available-for-sale securities	153,452	153,452	—
d) Investment securities			
Available-for-sale securities	2,207,365	2,207,365	—
e) Investment securities in affiliates	92,399	57,990	(34,410)

1. Method of calculating fair value of financial instruments and matters regarding securities
a) Cash and deposits, and b) Notes and accounts receivable—trade (after deduction of amounts for allowance for doubtful accounts)

As these instruments are settled within a short term and their fair values and carrying amounts are similar, their carrying amounts are assumed as their fair value.

c) Marketable securities, d) Investment securities and e) Investment securities in affiliates
The fair values of equity securities are determined by their market prices on stock exchanges. The fair values of bonds are determined according to market prices indicated on bond exchanges or the values indicated by financial institutions handling these transactions.

2. Financial instruments for which fair value is not readily determinable

Category	Carrying amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Unlisted equity securities	¥ 422	¥ 463	\$ 4,925
Investment securities in affiliates	38,932	40,890	434,950
Investment in limited partnerships	32	29	306
Investments in capital of subsidiaries and affiliates	—	1,174	12,492

These instruments are not included as they have no market value, and their fair value is not readily determinable.

3. Redemption schedule for monetary assets and expected maturity values of securities

March 31, 2012	Millions of yen			
	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	¥32,918	¥ —	¥ —	¥—
Notes and accounts receivable—trade	78,663	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Corporate bonds)	19,000	60,000	84,000	—

March 31, 2013	Millions of yen			
	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	¥30,108	¥ —	¥ —	¥—
Notes and accounts receivable—trade	83,740	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Corporate bonds)	14,300	52,700	88,000	—

March 31, 2013	Thousands of U.S. dollars (Note 1)			
	Due within one year	Due after one year within five years	Due after five years within ten years	Due after ten years
Cash and deposits	\$320,262	\$ —	\$ —	\$—
Notes and accounts receivable—trade	890,753	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Corporate bonds)	152,111	560,579	936,071	—

11. Marketable and Investment Securities:

The following information relates to the aggregate carrying amounts and fair value of securities at March 31, 2012 and 2013.

(1) Available-for-sale securities

Available-for-sale securities whose fair value is readily determinable are recorded at fair value on the consolidated balance sheet as of March 31, 2012 and 2013.

March 31, 2012	Millions of yen		
	Market value (=Carrying amount)	Acquisition cost	Unrealized gains (losses)
Securities whose carrying amounts on the consolidated balance sheet exceed their acquisition costs			
(1) Equity securities	¥ 29,855	¥ 22,701	¥ 7,155
(2) Corporate bonds	57,943	56,417	1,527
(3) Others	76,429	70,000	6,429
Sub total	164,228	149,117	15,111

Securities whose carrying amounts on the consolidated balance sheet do not exceed their acquisition costs

(1) Equity securities	16,133	20,811	(4,678)
(2) Corporate bonds	36,377	36,809	(431)
(3) Others	—	—	—
Sub total	52,510	57,619	(5,109)
Total	¥216,738	¥206,737	¥10,002

	Millions of yen		
	Market value (=Carrying amount)	Acquisition cost	Unrealized gains (losses)
March 31, 2013			
Securities whose carrying amounts on the consolidated balance sheet exceed their acquisition costs			
(1) Equity securities	¥ 42,352	¥ 27,319	¥15,033
(2) Corporate bonds	75,032	72,896	2,135
(3) Others	79,315	70,000	9,315
Sub total	196,699	170,216	26,483

Securities whose carrying amounts on the consolidated balance sheet do not exceed their acquisition costs			
(1) Equity securities	13,154	14,279	(1,125)
(2) Corporate bonds	12,087	12,260	(173)
(3) Others	—	—	—
Sub total	25,241	26,539	(1,298)
Total	¥221,940	¥196,755	¥25,186

	Thousands of U.S. dollars (Note 1)		
	Market value (=Carrying amount)	Acquisition cost	Unrealized gains (losses)
March 31, 2013			
Securities whose carrying amounts on the consolidated balance sheet exceed their acquisition costs			
(1) Equity securities	\$ 450,505	\$ 290,601	\$159,904
(2) Corporate bonds	798,125	775,410	22,715
(3) Others	843,691	744,602	99,089
Sub total	2,092,321	1,810,612	281,709

Securities whose carrying amounts on the consolidated balance sheet do not exceed their acquisition costs			
(1) Equity securities	139,921	151,888	(11,967)
(2) Corporate bonds	128,575	130,414	(1,839)
(3) Others	—	—	—
Sub total	268,496	282,302	(13,806)
Total	\$2,360,818	\$2,092,914	\$267,903

(2) Devaluation loss on investment securities

Devaluation loss on investment securities for the year ended March 31, 2012 and the year ended March 31, 2013 totaled ¥3,668 million (¥3,668 million for available-for-sale securities) and ¥2,199 million (¥2,199 million for available-for-sale securities), respectively.

When the fair value of securities has declined by 50% or more of their carrying amount at the fiscal year-end, the securities are written down to their fair value. When the fair value of securities has declined in the range between more than 30% and less than 50% of the carrying amount at the fiscal year-end, the securities are written down based on the company's policy.

12. Derivative Financial Instruments:

Not applicable.

13. Pension and Severance Plans:

The funded status as at March 31, 2012 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
(1) Projected benefit obligation	¥(47,240)	¥(57,068)	\$(607,040)
(2) Fair value of plan assets	32,031	37,590	399,856
(3) Unfunded benefit obligation			
(1)+(2)	(15,209)	(19,477)	(207,184)
(4) Unrecognized prior service cost	(3,358)	(2,988)	(31,781)
(5) Unrecognized actuarial gain/loss	5,313	9,733	103,529
(6) Net liability (3)+(4)+(5)	(13,254)	(12,732)	(135,436)
(7) Prepaid pension expenses	4,335	5,480	58,294
(8) Accrued retirement benefits			
(6)-(7)	¥(17,590)	¥(18,213)	\$(193,730)

The components of net retirement costs for the fiscal year ended March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
(1) Service costs	¥2,216	¥2,241	\$23,838
(2) Interest costs	981	1,008	10,727
(3) Expected return on plan assets	(743)	(801)	(8,518)
(4) Amortization of prior service costs	(370)	(370)	(3,938)
(5) Amortization of actuarial gain/loss	527	544	5,783
(6) Retirement costs			
(1)+(2)+(3)+(4)+(5)	2,611	2,622	27,892
(7) Others*	573	570	6,059
Total (6)+(7)	¥3,184	¥3,192	\$33,951

* The payment amounts for defined contribution plan.

Assumptions used for the year ended March 31, 2012 and 2013 were as follows:

	2012	2013
Discount rate	2.0%	1.0~1.2%
Expected return on plan assets	2.5%	2.5%
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Period for amortization of prior service cost	15–17 years	15–17 years
Period for amortization of actuarial gain/loss	14–17 years	14–17 years

14. Stock Options and Related Matters:

(1) Costs and other items recorded with respect to stock options

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2013	2013
Selling, general and administrative expenses	¥92	\$978

(2) Description, amount and changes in stock options

a) Description of stock options

	2012 Stock options
Type and number of recipients	<p>Directors of the Company (excluding outside directors) 9 individuals</p> <p>Directors of Taisho Pharmaceutical Co., Ltd. (excluding outside directors) 8 individuals</p> <p>Other officers of Taisho Pharmaceutical Co., Ltd. 19 individuals</p>
Total number of stock options by type of shares*	15,100 shares of common stock
Grant date	August 1, 2012
Vesting conditions	No vesting conditions are attached.
Applicable period of service	No applicable period of service is specified.
Exercise period	From August 2, 2012 to August 1, 2062

* Converted into the number of shares.

b) Amount of stock options and changes

The following covers stock options in force in the year ended March 31, 2013. The number of stock options has been converted into the number of shares.

Number of stock options

	2012 stock options
Before vesting (shares)	
Balance at March 31, 2012	—
Granted	15,100
Forfeited	—
Vested	15,100
Unvested balance	—
After vesting (shares)	
Balance as of March 31, 2012	—
Vested	15,100
Exercised	—
Forfeited	—
Unexercised balance	15,100

Per share information

	2012 stock options
Exercise price (¥)	1
Average stock price upon exercise (¥)	—
Fair value at grant date (¥)	6,086

c) Estimation method for fair value of stock options

The estimation method for the fair price of the 2012 stock options granted in the fiscal year ended March 31, 2013 was as follows:

Valuation model used Black-Scholes model

Main basic assumptions and estimation methods

	2012 stock options
Stock price volatility*1	24.96%
Estimated remaining service period*2	6.05 years
Dividend forecast*3	¥90 per share
Risk-free interest rate*4	0.316%

*1 Calculated based on the historical stock price performance over 6 years from July 2006 to August 2012.

*2 The estimated remaining service period has been determined by the period of average services years of directors and other officers in past minus their services years of current directors and officers currently served in the Board.

*3 Based on the dividend performance in the fiscal year ended March 31, 2012.

*4 Refers to the yield of Japanese government bonds during the estimated remaining service period.

d) Estimation method for the number of vested stock options

Given that it is difficult to rationally estimate the number of forfeitures in future, the Company has adopted the method of reflecting only the number of forfeitures based on past experience.

15. Income Taxes:

1. The significant components of deferred tax assets and liabilities as of March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2012	2013	2012	2013
Deferred tax assets:				
Enterprise taxes	¥ 528	¥ 335	\$ 3,559	
Accrued expenses	2,579	2,569	27,327	
Research expenses, etc.	3,514	1,220	12,976	
Accrued bonuses	1,672	1,693	18,013	
Accrued employees retirement benefits	5,995	6,213	66,083	
Accrued retirement benefits for directors, statutory auditors and executive officers	546	592	6,300	
Prepaid research expenses	3,130	1,841	19,583	
Evaluation loss on investment securities	1,648	2,199	23,391	
Valuation difference on available-for-sale securities	1,819	451	4,795	
Operating loss carry forwards for tax purposes	573	435	4,622	
Others	4,372	3,978	42,317	
Gross deferred tax assets	26,377	21,525	228,968	
Less: Valuation allowance	(2,703)	(3,156)	(33,570)	
Total deferred tax assets	23,674	18,369	195,399	
Deferred tax liabilities:				
Net unrealized gains on securities	(5,207)	(8,441)	(89,789)	
Deferred gain on sales of real property	(2,104)	(2,408)	(25,616)	
Prepaid pension expenses	(1,539)	(1,945)	(20,694)	
Undistributed earnings of overseas subsidiaries and affiliates	(411)	(539)	(5,735)	
Others	(1,138)	(2,150)	(22,865)	
Total deferred tax liabilities	(10,398)	(15,483)	(164,699)	
Net deferred tax assets	¥ 13,275	¥ 2,886	\$ 30,699	

2. Reconciliation of the main differences between the statutory tax rate and the effective tax rate after application of deferred tax accounting
The difference between the statutory tax rate and the effective tax rate after application of deferred tax accounting was less than 5% of the statutory tax rate. Accordingly, the reconciliation of differences has been omitted.

16. Segment Information:**1. Outline of reporting segments**

The Taisho Pharmaceutical Holdings Group's reporting segments are the components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The Group's reporting segments are the Self-Medication Operation Group and the Prescription Drug Operation Group. This classification is based on the differences in sales methods for over-the-counter (OTC) drugs and ethical drugs and the difference in the degree of business risk associated with the R&D expense burden in each segment.

The Self-Medication Operation Group conducts R&D, manufacturing and sales of OTC drugs, Foods for Specified Health Use, food, and general medical and hygiene supplies.

The Prescription Drug Operation Group conducts R&D, manufacturing and sales of ethical drugs.

Real estate leasing and facility management, and hotel management operations are included in the Self-Medication Operation Group due to their insignificance.

2. Method for calculating sales, income and loss, assets and liabilities, and other items by reporting segment

The total amounts for each line item of the reporting segments correspond to the amounts reported on the consolidated balance sheet and consolidated statement of income.

The accounting treatment methods for the reporting segments are consistent with the accounting treatment methods described in the Notes to the Consolidated Financial Statements.

Segment income for each reporting segment is presented on an operating income basis.

3. Information on sales, income and loss, assets and liabilities, and other items by reporting segment

March 31, 2012	Millions of yen				
	Self-medication	Pharmaceutical	Total	Other*1	Consolidated
Net sales:					
(1) Outside customers	¥166,467	¥104,763	¥271,231	¥ —	¥271,231
(2) Inter-segment	—	—	—	—	—
Total	166,467	104,763	271,231	—	271,231
Segment income*2	35,565	3,557	39,122	(709)	38,413
Segment assets	234,246	153,948	388,193	241,313	629,506
Other items					
Depreciation*3	8,702	2,540	11,242	—	11,242
Amortization of goodwill	836	—	836	—	836
Investment in equity-method affiliates	8,251	38,895	47,145	—	47,145
Tangible and intangible fixed assets*4	14,116	3,724	17,840	—	17,840

*1. The Other segment is a business segment that is not affiliated with any reporting segment, and primarily consists of the Company's (pure holding company) operations.

*2. Segment income matches operating income in the consolidated financial statements.

*3. Depreciation includes amortization of long-term prepaid expenses.

*4. The increase in tangible and intangible fixed assets includes the increase in long-term prepaid expenses.

March 31, 2013	Millions of yen				
	Self-medication	Pharmaceutical	Total	Other*1	Consolidated
Net sales:					
(1) Outside customers	¥171,272	¥113,897	¥285,168	¥ —	¥285,168
(2) Inter-segment	—	—	—	—	—
Total	171,272	113,897	285,168	—	285,168
Segment income*2	33,510	3,027	36,538	(1,200)	35,337
Segment assets	251,016	156,989	408,005	268,383	676,388
Other items					
Depreciation*3	8,516	2,435	10,952	—	10,952
Amortization of goodwill	1,104	—	1,104	—	1,104
Investment in equity-method affiliates	8,724	40,852	49,576	—	49,576
Tangible and intangible fixed assets*4	12,742	2,726	15,468	—	15,468

March 31, 2013	Thousands of U.S. dollars (Note 1)				
	Self-medication	Pharmaceutical	Total	Other*1	Consolidated
Net sales:					
(1) Outside customers	\$1,821,846	\$1,211,538	\$3,033,383	\$ —	\$3,033,383
(2) Inter-segment	—	—	—	—	—
Total	1,821,846	1,211,538	3,033,383	—	3,033,383
Segment income*2	356,454	32,202	388,656	(12,770)	375,886
Segment assets	2,670,103	1,669,919	4,340,022	2,854,830	7,194,852
Other items					
Depreciation*3	90,589	25,906	116,495	—	116,495
Amortization of goodwill	11,742	—	11,742	—	11,742
Investment in equity-method affiliates	92,796	434,554	527,350	—	527,350
Tangible and intangible fixed assets*4	135,541	28,995	164,537	—	164,537

*1. The Other segment is a business segment that is not affiliated with any reporting segment, and primarily consists of the Company's (pure holding company) operations.

*2. Segment income matches operating income in the consolidated financial statements.

*3. Depreciation includes amortization of long-term prepaid expenses.

*4. The increase in tangible and intangible fixed assets includes the increase in long-term prepaid expenses.

[Related information]

For the year ended March 31, 2012:

1. Information by product and service

Information by product and service has been omitted as it is same as the reporting segments.

2. Information by geographic region

(1) Sales

Information by geographic region has been omitted as sales to external customers in Japan are more than 90% of net sales reported on the consolidated statement of income.

(2) Tangible fixed assets

The Company has omitted disclosure here because tangible fixed assets in Japan account for more than 90% of the amount of tangible fixed assets reported on the consolidated balance sheet.

3. Information by major customer

Information by major customer has been omitted as sales to any specific external customer are less than 10% of net sales reported on the consolidated statement of income.

For the year ended March 31, 2013:**1. Information by product and service**

Information by product and service has been omitted as it is same as the reporting segments.

2. Information by geographic region**(1) Sales**

Information by geographic region has been omitted as sales to external customers in Japan are more than 90% of net sales reported on the consolidated statement of income.

(2) Tangible fixed assets

The Company has omitted disclosure here because tangible fixed assets in Japan account for more than 90% of the amount of tangible fixed assets reported on the consolidated balance sheet.

3. Information by major customer

Information by major customer has been omitted as sales to any specific external customer are less than 10% of net sales reported on the consolidated statement of income.

[Information on impairment on fixed assets by reporting segments' fixed assets]

Not applicable.

[Information on amortization and unamortized balance of goodwill by reporting segment]

March 31, 2012	Millions of yen			
	Self-medication	Pharmaceutical	Other	Total
Goodwill amortization	¥ 836	—	—	¥ 836
Unamortized balance of goodwill	17,731	—	—	17,731

March 31, 2013	Millions of yen			
	Self-medication	Pharmaceutical	Other	Total
Goodwill amortization	¥ 1,104	—	—	¥ 1,104
Unamortized balance of goodwill	21,746	—	—	21,746

March 31, 2013	Thousands of U.S. dollars (Note 1)			
	Self-medication	Pharmaceutical	Other	Total
Goodwill amortization	\$ 11,742	—	—	\$ 11,742
Unamortized balance of goodwill	231,320	—	—	231,320

[Information on gains on negative goodwill by reporting segment]

Not applicable.

17. Related Party Transactions:**For the year ended March 31, 2012:****Related party transactions****Transactions with consolidated subsidiaries and related parties****(1) Related transaction with the non-consolidated subsidiaries and affiliated companies**

Name	Location	Capital	Shares with voting rights owned by Company in related party/(owned by related party in Company)	Transactions	Amounts		Amounts	
					(Millions of yen)	Closing balances	(Millions of yen)	
Toyama Chemical Co., Ltd.	Shinjyuku ward, Tokyo	¥10,000 million	34.0%	Product purchases*2	¥26,136	Accounts payable	¥16,065	

*1. Consumption taxes are excluded from transaction amounts but are included in the closing balances.

*2. Transaction conditions and policy on determination of transaction conditions. The purchase price is determined with reference to third-party selling prices.

(2) Related transaction with Directors and individual shareholders

Name	Location	Capital	Shares with voting rights owned by Company in related party/(owned by related party in Company)	Transactions	Amounts		Amounts	
					(Millions of yen)	Closing balances	(Millions of yen)	
Taisei Co., Ltd.*3	Toshima ward, Tokyo	¥100 million	(1.35%)	Other income*2	¥27	Other assets	¥1	

*1. Consumption taxes are excluded from transaction amounts but are included in the closing balances.

*2. Transaction conditions and policy on determination of transaction conditions. They are determined in the same way as the terms and conditions of ordinary transactions.

*3. Akira Uehara, a corporate officer of Taisho Pharmaceutical Holdings Co., Ltd., and his relatives directly own 100% of the shares with voting rights.

For the year ended March 31, 2013:**Related party transactions****Transactions with consolidated subsidiaries and related parties****(1) Related transaction with the non-consolidated subsidiaries and affiliated companies**

Name	Location	Capital	Shares with voting rights owned by Company in related party/(owned by related party in Company)	Transactions	Amounts		Amounts	
					(Millions of yen)	(Thousands of U.S. dollars) (Note 1)	Closing balances	(Thousands of U.S. dollars) (Note 1)
Toyama Chemical Co., Ltd.	Shinjyuku ward, Tokyo	¥10,000 million	34.0%	Product purchases*2	¥30,449	\$323,894	Accounts payable	¥16,420 \$174,663

*1. Consumption taxes are excluded from transaction amounts but are included in the closing balances.

*2. Transaction conditions and policy on determination of transaction conditions. The purchase price is determined with reference to third-party selling prices.

(2) Related transaction with Directors and individual shareholders

Name	Location	Capital	Shares with voting rights owned by Company in related party (owned by related party in Company)	Transactions	Amounts		Closing balances	Amounts	
					(Millions of yen)	(Thousands of U.S. dollars) (Note 1)		(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
Taisei Co., Ltd.*3	Toshima ward, Tokyo	¥100 million	(1.33%)	Other income*2	¥28	\$295	Other assets	¥1	\$6

*1. Consumption taxes are excluded from transaction amounts but are included in the closing balances.

*2. Transaction conditions and policy on determination of transaction conditions. Price and other transaction conditions are determined through negotiations for each transaction, taking into account prevailing market prices.

*3. Akira Uehara, a corporate officer of Taisho Pharmaceutical Holdings Co., Ltd., and his relatives directly own 100% of the shares with voting rights.

18. Per Share Information:

1. As the Company had no dilutive securities as at March 31, 2012, the Company does not disclose amounts of diluted net income per share for the previous year, the year ended March 31, 2012.

March 31	Yen		U.S. dollars (Note 1)
	2012	2013	2013
Net assets per share	¥6,560.67	¥6,975.94	\$74.20
Net income per share	296.20	325.26	3.46
Net income per share, diluted	—	325.22	3.46

2. The basis for calculating basic net income per share and diluted net income per share is as follows:

Basic net income per share

March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Net income	¥24,358	¥26,320	\$279,974
Net income available to common shareholders	24,358	26,320	279,974
Weighted-average number of shares outstanding (thousand shares)	82,232	80,919	80,919

Basic net income per share, diluted

March 31	Thousands shares	
	2012	2013
Increase in number of common stock	—	10
(Including subscription rights to shares)	—	(10)

19. Significant Subsequent Events:

Not applicable.

20. Schedule of Borrowings:

	Millions of yen		Thousands of U.S. dollars (Note 1)	Average interest rate (%)	Due date of payment
	2012	2013	2013		
Short-term loans	¥612	¥215	\$2,287	1.48%	—
Current portion of long-term loans	23	—	—	—	—
Current portion of lease obligations	174	133	1,417	—	—
Long-term loans (without current portion)	118	—	—	—	—
Lease obligations (without current portion)	57	491	5,220	—	From 2014 to 2019
Total	¥985	¥839	\$8,924	—	—

(1) "Average interest rate" represents the weighted average interest rate against the term-end balance of borrowings.

(2) As interest is included in the lease payment and is allocated on the straight-line method to each fiscal year, average interest rate of lease obligations is omitted.

(3) The projected repayment amount of long-term debt (excluding debt scheduled to be repaid within one year) within five years after the consolidated balance sheet date (i.e. March 31, 2013) is as follows.

	Due after one year, within two years	Due after two years, within three years	Due after three years, within four years	Due after four years, within five years
Lease obligations (Millions of yen)	¥102	¥99	¥92	¥91
Lease obligations (Thousands of U.S. dollars (Note 1))	\$1,089	\$1,056	\$976	\$969



Independent Auditor's Report

To the Board of Directors of Taisho Pharmaceutical Holdings Co., Ltd.

We have audited the accompanying consolidated financial statements of Taisho Pharmaceutical Holdings Co., Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2013, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

July 19, 2013

PricewaterhouseCoopers Aarata

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Major Subsidiaries and Affiliates

(As of June 30, 2013)

Name	Location	Capitalization/ Amount Invested	Business Area	Percentage of Voting Rights Held (Note 1)
Subsidiaries				
Domestic				
Taisho Pharmaceutical Co., Ltd.	Tokyo, Japan	JPY 29,804,450,000	Research, development, manufacture and sales of OTC drugs, prescription pharmaceuticals, quasi-drugs, foods and other products	100%
Taisho Okinawa Co., Ltd.	Okinawa, Japan	JPY 50,000,000	Sales of Taisho Pharmaceutical products in Okinawa Prefecture	100%
Taisho M.T.C. Co., Ltd.	Tokyo, Japan	JPY 400,000,000	Manufacture and sales of raw materials for medicines and quasi-drugs	60%
Taisho Pharmaceutical Logistics Co., Ltd.	Saitama, Japan	JPY 30,000,000	Management and operation of transport services for Taisho Pharmaceutical Group	100%
Taisho Toyama Pharmaceutical Co., Ltd.	Tokyo, Japan	JPY 2,000,000,000	Sales of prescription pharmaceuticals	70.3%
MEJIRO KOSAN Co., Ltd.	Tokyo, Japan	JPY 600,000,000	Leasing, management, possession and operation of real estate, and provision of employee welfare and benefit services, etc.	100%
TAISHO ACTIVE HEALTH Co., Ltd.	Tokyo, Japan	JPY 100,000,000	Supply of health foods, quasi-drugs and skin care products	55%
Biofermin Pharmaceutical Co., Ltd.	Hyogo, Japan	JPY 1,227,000,000	Research, development, manufacture and sales of OTC drugs, prescription pharmaceuticals and other products	55.8% (Note 2)
TOKUHON Corporation	Tokyo, Japan	JPY 300,000,000	Research, development, manufacture and sales of OTC drugs, prescription pharmaceuticals and other products	100%
Overseas				
Taisho Pharmaceutical (Taiwan) Co., Ltd.	Taipei, Taiwan	TWD 200,000,000	Manufacture (commissioned) and sales of OTC drugs, energy drinks and other products	100%
Taisho Pharmaceutical California Inc.	California, U.S.A.	USD 41,050,000	Manufacture (commissioned) and sales of energy drinks and other products	100%
Taisho Pharmaceutical (M) SDN. BHD.	Selangor, Malaysia	MYR 24,380,000	Manufacture and sales of energy drinks and other products	100%
Taisho Pharmaceuticals (Philippines), Inc.	Makati, Philippines	PHP 18,900,000	Manufacture (commissioned) and sales of OTC drugs, energy drinks and other products	100%
PT. Taisho Indonesia	Jakarta, Indonesia	IDR 42,920,000,000	Manufacture (commissioned) and sales of energy drinks and other products	100%
Taisho Co., Ltd. Shanghai	Shanghai, China	CNY 132,621,000	Manufacture and sales of energy drinks and other products	100%
Taisho Vietnam Co., Ltd.	Khanh Hoa, Vietnam	VND 170,754,300,000	Manufacture and sales of energy drinks and other products	100%
Taisho Pharmaceutical (H.K.) Ltd.	Hong Kong, China	HKD 163,000,000	Sales of energy drinks and other products	100%
Osotspha Taisho Pharmaceutical Co., Ltd.	Bangkok, Thailand	THB 100,000,000	Sales of OTC drugs, energy drinks and other products	60%
Taisho Pharmaceutical R&D Inc.	New Jersey, U.S.A.	USD 4,000,000	Development of prescription pharmaceuticals	100%
PT. Taisho Pharmaceutical Indonesia Tbk	Jakarta, Indonesia	IDR 10,240,000,000	Manufacture and sales of OTC drugs	98%
Taisho Pharmaceutical Singapore Private Limited	Singapore	USD 1,000,000	Integration of OTC drugs business for the ASEAN region	100%
Hoepharm Holdings Sdn. Bhd.	Kuala Lumpur, Malaysia	MYR 8,000,000	Manufacture and sales of pharmaceutical products for Asian and other markets	100%
Compañía Internacional de Comercio, S.A.P.I. de C.V.	Mexico City, Mexico	MXN 122,467,000	Manufacture and sales of OTC drugs and other products	100%
Affiliates				
Domestic				
Toyama Chemical Co., Ltd.	Tokyo, Japan	JPY 10,000,000,000	Research, development, manufacture and sales of prescription pharmaceuticals and other products	34%
Yomeishu Seizo Co., Ltd.	Tokyo, Japan	JPY 1,650,000,000	Manufacture and sales of herbal liqueurs and other products	22.1%

(Note 1) Percentage of voting rights held includes indirect voting rights held.

(Note 2) Excluding stock taken over in August 2013 (972,320 shares)

Corporate Data

(As of June 27, 2013)

Company Name: TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.

Date of Foundation: October 3, 2011

Paid-in Capital: ¥30,000 million

Number of Employees: 6,370 (As of March 31, 2013)

Home Page: <http://www.taisho-holdings.co.jp/>

Board of Directors:	President and CEO Akira Uehara*	Directors Shigeru Uehara Akira Ohira Ken Uehara Kiyomi Chuurei	Ken-ichi Fujita Jun-ichi Fukudome Toshio Morikawa**
	Executive Vice President Hisataka Hotta*		

Audit & Supervisory Board Members:	Shigeo Morimoto Kyuji Kobayashi Hiroyuki Uemura*** Isao Yoshikawa***	* Representative Director ** Outside director as stipulated by Article 2.15 of the Corporate Law *** Outside Audit & Supervisory Board member as stipulated by Article 2.16 of the Corporate Law
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Directory:	Headquarters	3-24-1, Takada, Toshima-ku, Tokyo 170-8655, Japan Telephone: 81-3-3985-2020 Facsimile: Public Relations Section: 81-3-3985-6485
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Major Group Companies:	Taisho Pharmaceutical Co., Ltd.	Head Office and Branches	Tokyo Head Office, Sendai, Nagoya, Osaka, Hiroshima, Fukuoka
		Factories and Laboratory	The Omiya Factory / Research Center, The Okayama Factory, The Hanyu Factory
	Taisho Toyama Pharmaceutical Co., Ltd.	Head Office and Branches	Tokyo Head Office, Sendai, Nagoya, Osaka, Hiroshima, Fukuoka
	Biofermin Pharmaceutical Co., Ltd.	Head Office and Branches	Hyogo Head Office, Tokyo, Sapporo, Nagoya, Fukuoka
		Factory and Laboratory	The Kobe Factory / Research Center
	TOKUHON Corporation	Head Office and Branches	Tokyo Head Office, Osaka, Nagoya
		Factory and Laboratory	The Saitama Factory / Research Center

Investor Information

(As of March 31, 2013)

Common Stock:

Authorized: 360,000,000

Issued: 90,139,653

Stock Trading Unit: 100 shares

Number of Shareholders: 31,653

General Meeting of Shareholders: Held annually in June

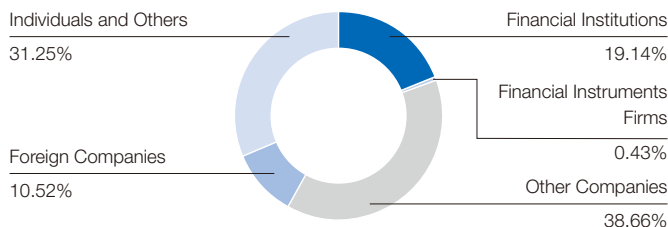
Listing: Tokyo Stock Exchange

Ticker Symbol Number: 4581

Stock Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation
7-10-11, Higashisuna, Koto-ku,
Tokyo 137-8081, Japan

Head Office: 3-24-1, Takada,
Toshima-ku,
Tokyo 170-8655, Japan

Distribution of Shareholders



Major Shareholders

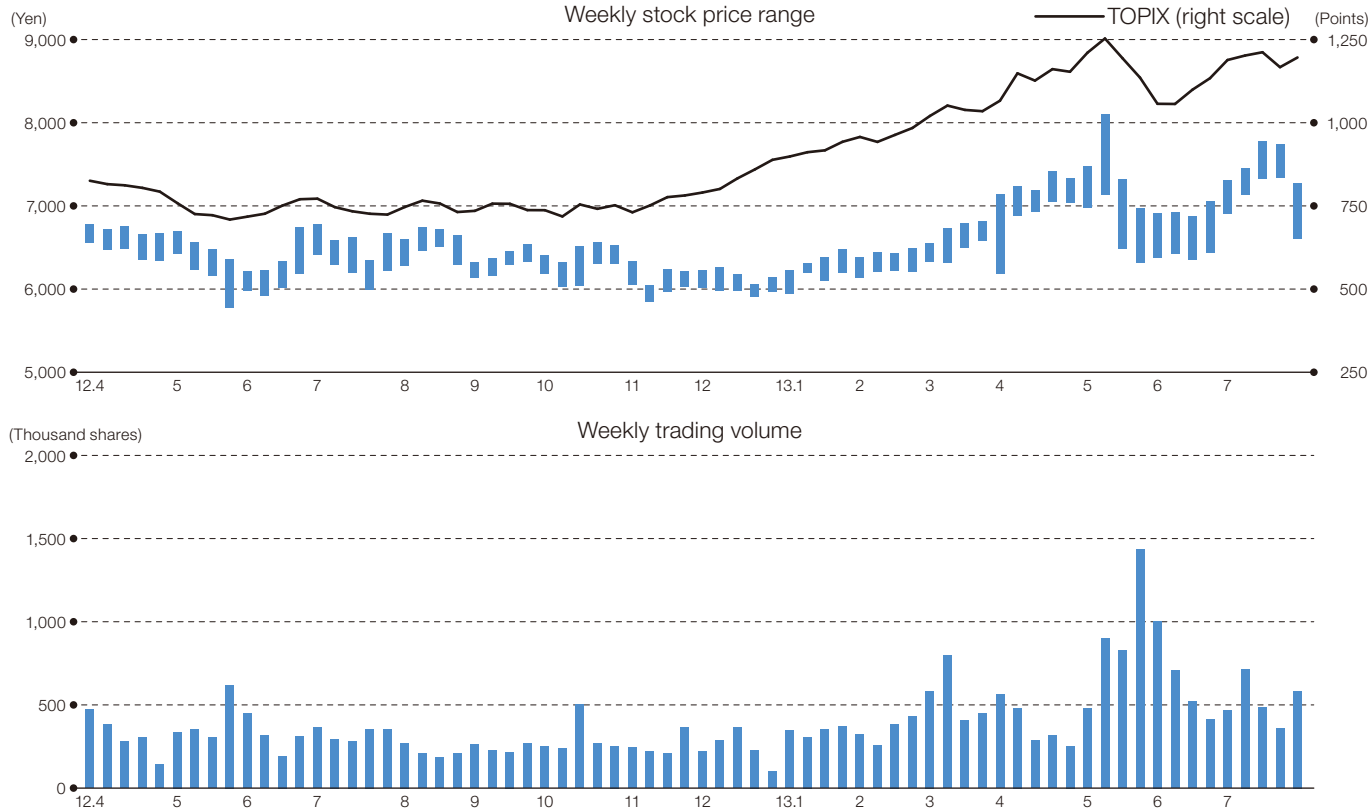
	Number of Voting Rights (Thousands)	Percentage of Voting Rights* (%)
The Uehara Memorial Foundation	12,900	15.89
Shoji Uehara	10,486	12.92
Sumitomo Mitsui Banking Corporation	3,000	3.70
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000	3.70
Uehara Museum of Modern Art Foundation	3,000	3.70
Akira Uehara	2,143	2.64
Sumitomo Chemical Co., Ltd.	2,109	2.60
Kajima Corporation	1,650	2.03
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. Retrusted Account/ Sumitomo Chemical Company, Limited Employee Pension Trust Account)	1,530	1.89
Japan Trustee Services Bank, Ltd. (trust account)	1,435	1.77

Number of voting rights (shares) is rounded down to the nearest thousand.

Excluding treasury stock (8,981 thousand shares)

* Calculated excluding treasury stock (8,981 thousand shares)

Stock Data (TSE) (April 2012–July 2013)





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